

Chapter Planning Guide



Key to Ability Levels

BL Below level

OL On level

AL Above level

ELL English
Language Learners

Key to Teaching Resources

Print Material

CD-ROM

DVD

Transparency

Levels				Resources		Chapter Opener	Section 1	Section 2	Section 3	Section 4	Chapter Assess
BL	OL	AL	ELL								
					FOCUS						
BL	OL	AL	ELL		Daily Focus Skills Transparencies		21-1	21-2	22-3	22-4	
					TEACH						
BL	OL		ELL		Reading Essentials and Note-Taking Guide*		p. 195	p. 198	p. 201	p. 204	
BL	OL		ELL		Reading Skills Activity, URB			p. 7			
BL	OL	AL	ELL		Speaking and Listening Skills Activity, URB		p. 9	p. 9	p. 9	p. 9	
		AL			Enrichment Activity, URB		p. 13	p. 13	p. 13	p. 13	
BL	OL	AL	ELL		Content Vocabulary Activity, URB*	p. 88	p. 88	p. 88	p. 88	p. 88	
BL	OL	AL	ELL		Academic Vocabulary Activity, URB	p. 89	p. 89	p. 89	p. 89	p. 89	
	OL				Biography Activity, URB					p. 91	
BL	OL	AL	ELL		Writing Skills Activity, URB		p. 93	p. 93	p. 93	p. 93	
	OL	AL			Critical Thinking Skills Activity, URB		p. 95	p. 95	p. 95	p. 95	
BL	OL	AL	ELL		Chart, Graph, and Map Skills Activity, URB					p. 97	
BL	OL	AL	ELL		Differentiated Instruction, URB				p. 99	p. 99	
BL	OL	AL	ELL		School-to-Home Connection Activity, URB*	p. 101	p. 101	p. 101	p. 101	p. 101	
BL	OL		ELL		Guided Reading Activities, URB*		p. 105	p. 106	p. 107	p. 108	
BL	OL	AL	ELL		Writer's Guidebook	✓	✓	✓	✓	✓	✓
	OL	AL			Primary Source Document Library CD-ROM	✓	✓	✓	✓	✓	✓
BL	OL	AL	ELL		Vocabulary PuzzleMaker CD-ROM	✓	✓	✓	✓	✓	✓
BL	OL	AL	ELL		Daily Lecture & Discussion Notes (in Pres. Plus)		✓	✓	✓	✓	✓
BL	OL	AL	ELL		StudentWorks™ Plus DVD		✓	✓	✓	✓	✓
BL	OL	AL	ELL		Section Video Program		✓	✓	✓	✓	
BL	OL	AL	ELL		TIME Interpreting Political Cartoons Transp.					Ch. 21	
BL	OL	AL	ELL		Writing Process Transparencies	✓	✓	✓	✓	✓	✓

Note: Please refer to the *Unit Resource Book: The Economy and the Individual* for this chapter's URB materials.

* Also available in Spanish



- Interactive Lesson Planner
- Interactive Teacher Edition
- Fully editable blackline masters
- Section Spotlight Videos Launch
- Differentiated Lesson Plans
- Printable reports of daily assignments
- Standards Tracking System

Levels				Resources		Chapter Opener	Section 1	Section 2	Section 3	Section 4	Chapter Assess
BL	OL	AL	ELL								
					TEACH <i>(continued)</i>						
Teacher Resources					Building Academic Vocabulary	✓	✓	✓	✓	✓	✓
					Strategies for Success	✓	✓	✓	✓	✓	✓
					Teacher's Guide to Differentiated Instruction	✓	✓	✓	✓	✓	✓
					Graph Tool CD-ROM	✓	✓	✓	✓	✓	✓
					Presentation Plus! DVD	✓	✓	✓	✓	✓	✓
					ASSESS						
BL	OL	AL	ELL		Quizzes and Tests*		p. 248	p. 249	p. 250	p. 251	p. 252
BL	OL	AL	ELL		Authentic Assessment with Rubrics		p. 25	p. 25	p. 25	p. 25	p. 25
BL	OL	AL	ELL		Standardized Test Practice					p. 41	p. 41
BL	OL	AL	ELL		ExamView® Assessment Suite CD-ROM		21-1	21-2	21-3	21-4	Ch. 21
BL	OL	AL	ELL		Interactive Tutor Self-Assessment CD-ROM	✓	✓	✓	✓	✓	✓
					CLOSE						
BL			ELL		Reteaching Activity, URB*		p. 103	p. 103	p. 103	p. 103	
BL	OL		ELL		Reading and Study Skills Foldables™ Activity	p. 90	p. 91		p. 91		
BL	OL	AL	ELL		Civics Today in Graphic Novel	p. 83				p. 83	
BL	OL	AL	ELL		Graphic Organizer Transparencies & Strategies	✓	✓	✓	✓	✓	✓

Web Site Builder

Technology Product

The Web Site Builder is a convenient and dynamic McGraw-Hill Learning Network tool that helps you build Web sites quickly. The site allows you to include your own images, videos, and text to customize it to your needs. The Web site builder also provides you with a variety of tools to make your Web site inviting. Use the Web Site Builder to

- provide assignments and important dates to your students;
- keep students and parents informed of events in your classroom;
- publish your contact information.

Steps

- On the McGraw-Hill Learning Network home page (www.mhln.com), log in as a member.
- Choose **Web Site Builder** under **Resources**.
- Choose a template from the **Create a new site** pull-down options and follow the prompts on the screen to select a design, insert text, and select fonts, colors, and sizes.
- Create the content students will need to study for a chapter text or post homework assignments.
- Use the navigation buttons on the bottom of the screen to edit, add, and delete information, images, and videos.
- Publish the site and provide the URL to your students.

Civics ONLINE

	Student	Teacher	Parent
Beyond the Textbook	•	•	•
Chapter Overviews	•	•	•
Concepts in Motion	•		•
ePuzzles and Games	•		•
Glencoe Teaching Today		•	
Literature Connections		•	
Multi-Language Glossaries	•		•
Online Student Edition	•	•	•
Section Videos	•	•	•
Self-Check Quizzes	•		•
Student Web Activities	•		•
Study Central™	•		•
TIME Current Events	•		•
Vocabulary eFlashcards	•		•
Web Activity Lesson Plans		•	

Glencoe Media Center

glencoe.com

> Study-To-Go

- Vocabulary eFlashcards
- Self-Check Quizzes

> Audio/Video

- Student Edition Audio
- Spanish Summaries

Reading List Generator CD-ROM

BOOKLINK 3

Use this database to search more than 30,000 titles to create a customized reading list for your students.

- Reading lists can be organized by students' reading level, author, genre, theme, or area of interest.
- The database provides Degrees of Reading Power™ (DRP) and Lexile™ readability scores for all selections.
- A brief summary of each selection is included.

Reading suggestions

Leveled reading suggestions for this chapter:

For students at a Grade 7 reading level:

- *Careers Inside the World of Entrepreneurs*, by Sue Hurwitz

For students at a Grade 8 reading level:

- *Eli Whitney: Cotton Gin Genius*, by Kaye Patchett

For students at a Grade 9 reading level:

- *Future Sources of Energy*, by Mark Lambert

For students at a Grade 10 reading level:

- *Business Builders in Fast Food*, by Nathan Aaseng

For students at a Grade 11 reading level:

- *Overpopulation*, by John Zeaman

READING SUPPORT FROM JAMESTOWN EDUCATION

- **Timed Readings Plus in Social Studies** helps students increase their reading rate and fluency while maintaining comprehension. The 400-word passages are similar to those found on state and national assessments.
- **Reading in the Content Area: Social Studies** concentrates on six essential reading skills that help students better comprehend what they read. The book includes 75 high-interest nonfiction passages written at increasing levels of difficulty.
- **Reading Social Studies** includes strategic reading instruction and vocabulary support in Social Studies content for both ELLs and native speakers of English.
- **Content Vocabulary Workout** (Grades 6–8) accelerates reading comprehension through focused vocabulary development. Social Studies content vocabulary comes from the glossaries of Glencoe's Middle School Social Studies texts. www.jamestowneducation.com

KEY Teacher Wraparound

Use this key to help you identify the different types of prompts found in the Teacher Wraparound Edition.

R **Reading Strategies** activities help you teach reading skills and vocabulary.

C **Critical Thinking** strategies help students apply and extend what they have learned.

D **Differentiated Instruction** activities provide instruction for students learning to speak English, along with suggestions for teaching various types of learners.

S **Skill Practice** strategies help students practice historical analysis and geography skills.

W **Writing Support** activities provide writing opportunities to help students comprehend the text.

Teaching strategies and activities have been coded for ability level appropriateness.

AL Activities for students working above grade level

OL Activities for students working on grade level

BL Activities for students working below grade level

ELL Activities for English Language Learners

Focus

Why It Matters

Ask: What happens to the price of goods when supply is less than demand? (The price increases.)

More About the Photo

Visual Literacy These San Diego drivers are participating in a type of consumer organization with a long history. Known as cooperatives, these groups are made of individuals banding together to negotiate lower prices for goods and services. The modern consumer cooperative movement began in the United States in the early 1900s. Cooperative groups negotiated lower prices for their members for goods and services ranging from food, clothes, and housing to insurance, health care, and electricity.

Teach

BIG Ideas As you begin teaching each section, use these questions and activities to help students focus on the Big Ideas.

Section 1

Demand **Ask:** What is demand? (the desire, willingness, and ability to buy a good or service) Point out that in Section 1 students will learn the role that demand plays in a market economy. **OL**

Demand and Supply



Why It Matters

Two forces work together in markets to establish prices for all the goods and services we buy. They are demand—the desire, willingness, and ability to buy a good or service, and supply—the quantities of a good or service that producers are willing to sell at all possible market prices.

566

Section 2

Factors Affecting Demand **Ask:** How does price influence demand? (When prices are high, demand decreases. When prices are low, demand increases.) Tell students that in Section 2 they will learn about the many factors that affect demand in a market economy. **OL**

Section 3

Supply and the Supply Curve **Ask:** How does price influence supply? (When prices are high, producers increase supply. When prices are low, producers do not have any incentive to increase supply.) Tell students that in Section 3, they will learn about the many factors that affect supply in a market economy. **OL**

BIG Ideas

Section 1: Demand

Supply and demand in a market interact to determine price and the quantities bought and sold. Demand is the desire, willingness, and ability to buy a good or service.

Section 2: Factors Affecting Demand

Supply and demand in a market interact to determine price and the quantities bought and sold. Several factors can cause market demand for a product or service to change.

Section 3: Supply and the Supply Curve

Supply and demand in a market interact to determine price and the quantities bought and sold. Supply is the willingness and ability to produce and sell a good or service.

Section 4: Demand and Supply at Work

Supply and demand in a market interact to determine price and the quantities bought and sold. In our economy, the forces of supply and demand work together to establish prices.

◀ San Diego drivers find lower gas prices at the co-op gas station

FOLDABLES™ Study Organizer

Dinah Zike's Foldables

Purpose This Foldable helps the students improve their study skills using the information in the chapter. The completed Foldable will use a Venn diagram to help students organize information about factors that influence the impact of demand and supply on the economy. **OL**

More Foldables activities for this chapter can be found in the *Dinah Zike's Reading and Study Skills Foldables* ancillary.

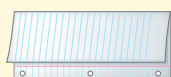
Civics ONLINE

Introduce students to chapter content and key terms by having them access the **Chapter Overview** at glencoe.com.

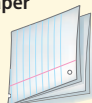
FOLDABLES™ Study Organizer

Organizing Information Study Foldable Make the following Foldable to help you compare the aspects of supply and demand and where they overlap.

Step 1 Fold a sheet of paper in half from the long way with one inch edge left.

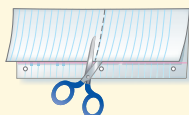


Step 2 Turn the paper and fold it into halves.



Cut along two folds on the front flap to make 2 tabs.

Step 3 Unfold and cut the top layer only along both folds.



Reading and Writing

As you read the chapter, compare and contrast supply and demand.

Step 4 Label as shown, including drawing ovals for a Venn diagram.



Section 4

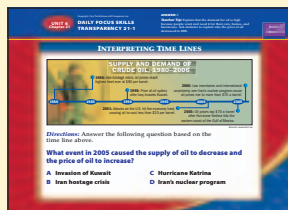
Demand and Supply at Work Ask: **How does the market signal the interaction between demand and supply?** (Prices act as a signal in the market. They tell producers what, how, and for whom to produce goods and services.) Tell students that in Section 4 they will learn about the influence of market forces on price. **OL**

Focus



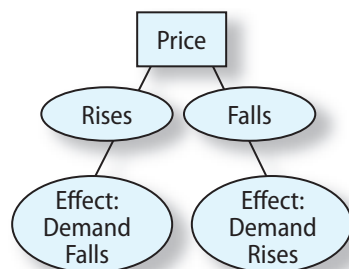
Bellringer

Daily Focus Transparency 21-1



Guide to Reading

Answers to Graphic:



Section Spotlight Video

To learn more about demand, have students watch the Section Spotlight Video for this section.

Resource Manager

Guide to Reading

Big Idea

Supply and demand in a market interact to determine price and quantities bought and sold.

Content Vocabulary

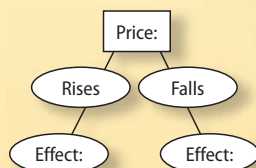
- demand (p. 569)
- demand schedule (p. 569)
- demand curve (p. 569)
- law of demand (p. 569)
- market demand (p. 570)
- utility (p. 570)
- marginal utility (p. 572)

Academic Vocabulary

- identify (p. 570)
- illustrate (p. 572)
- likewise (p. 572)

Reading Strategy

Analyzing As you read the section, complete the diagram below to illustrate how change in prices affects the quantity demanded.



Demand

Real World Economics With heating and oil prices at all-time highs in 2006, people began to look for alternative sources of heat. All across New England—especially—people are turning to wood as fuel, and the price for it has risen. Reed's Firewood in Durham, Maine, supplies its customers who want to supplement their heating sources and to use wood as backup if their power goes out. As wood use increases over time, its price will rise more, and consequently, its demand will diminish.

▼ Paul Reed, Sr., loads firewood for customers in Maine



R Reading Strategies	C Critical Thinking	D Differentiated Instruction	W Writing Support	S Skill Practice
Teacher Edition <ul style="list-style-type: none"> • Identifying, p. 569 • Making Connections, p. 571 Additional Resources <ul style="list-style-type: none"> • Cont. Vocab., URB p. 88 • Ac. Vocab., URB p. 89 • Foldables, p. 91 • RENTG, p. 203 	Teacher Edition <ul style="list-style-type: none"> • Making Inferences, p. 569 • Compare/Contrast, p. 570 Additional Resources <ul style="list-style-type: none"> • Crit. Think. Act., URB p. 95 • Quizzes and Tests, p. 248 	Teacher Edition <ul style="list-style-type: none"> • Interpersonal, p. 572 Additional Resources <ul style="list-style-type: none"> • Speak./Listen. Act., URB p. 9 • Diff. Instr., URB p. 99 	Teacher Edition <ul style="list-style-type: none"> • Personal Writing, p. 570 Additional Resources <ul style="list-style-type: none"> • Writing Skills Act., URB p. 93 	Teacher Edition <ul style="list-style-type: none"> • Reading Charts, p. 571 Additional Resources <ul style="list-style-type: none"> • Daily Focus Trans., 21-1

C Critical Thinking

Compare and Contrast Ask: **What do individual demand and market demand have in common?** (Both measure demand for a product or service.) **How do individual demand and market demand differ?** (Individual demand measures only the demand of a single individual for a product or service. Market demand measures the total demand of all consumers for a product or service.) **OL**

W Writing Support

Personal Writing Have students write a paragraph about a product from which they get a great deal of enjoyment and a second paragraph about a product from which they get very little enjoyment. Make sure students explain why they do or do not enjoy each product. **OL**

Answers: Answers may vary, but most students will probably say that it is important for young readers to see how words are written as well as to hear how they are pronounced.

Hands-On Chapter Project Step 1

Demand and Supply in a Market Economy

Step 1: Big Sellers of Yesteryear Have groups of students identify and research the history of best-selling products from the past.

Directions Organize students into groups to research the histories of best-selling products from the past, such as the hula

hoop or the Model T automobile. Make sure student groups have selected different products. Have students prepare oral reports about their products. Remind students to include information on how the products were first received by consumers, what factors contributed to their appeal, and for how long the products maintained their popularity. **OL**

(Project continued in Section 2)

TIME Teens in Action

Daniel Lawrence

Daniel Lawrence, 15, of Knoxville, Tennessee, did not have to read between the lines to see that his city had a literacy problem. He decided to help out!

QUESTION: Why did you start "Let Me Read to You"?

ANSWER: Inner-city schools in Knoxville ask parents to read to younger children every night. Many of these students live in homes where this request is not met—either because parents can't read, or they don't have the time or energy to read to their children. "Let Me Read to You" was founded in 2005 to help.

Q: How does it work?

A: Commercial audiobooks already exist—but these families can't afford them. So our organization records early reader books onto CDs and donates the books and CDs to inner-city schools. The students are typically in first through third grades. They can read and hear the books at school or take them home for the night.

Q: How will the CDs help these kids?

A: They help them develop good reading skills—a very important thing in today's world. These students will have a better chance to succeed in life.

Q: What's next?

A: Once in high school I am going to start a program to fight Knoxville's litter problem.



Making a Difference

Daniel's group helped children look at the books and listen to them. Why do you think both looking and listening are important?

CITIZENSHIP

570 Chapter 21

Market Demand

Main Idea Market demand is the total demand of all consumers for a product or service.

Economics & You Does your ninth slice of pizza taste just as good as the first? Read to find out what economic principle this example illustrates.

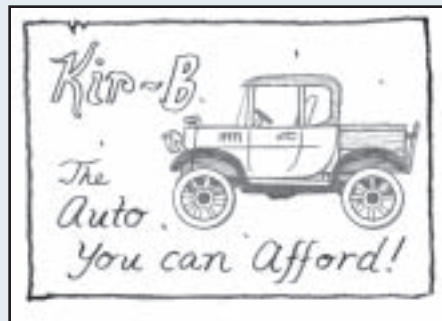
So far we have been looking at only one person's demand for a product or service. Companies hope to sell to many people, though. They are interested in the **market demand**—the total demand of all consumers for their product or service. Market demand can also be shown as a demand schedule or as a demand curve (see page 571).

An Example of Demand

Imagine you are opening a bicycle repair shop. Before you begin, you need to know where the demand is. You want to set up your shop in a neighborhood with many bicycle riders and few repair shops. After you **identify**, or establish, an area in which to locate the shop, how do you measure the demand for your services? You may visit other shops and gauge the reactions of consumers to different prices. You may poll consumers about prices. You could study data compiled over past years, which would show consumer reactions to prices. All of these methods would give you a general idea as to the desire, willingness, and ability of people to pay.

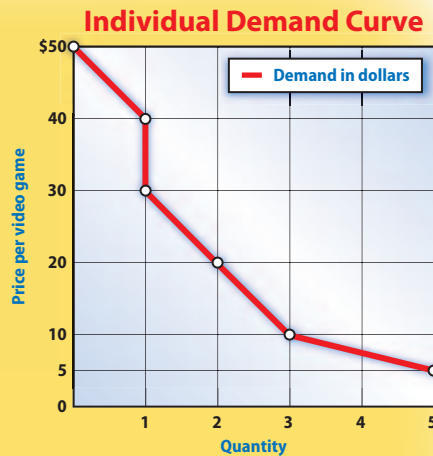
Marginal Utility

Almost everything that we buy provides **utility**, meaning the pleasure, usefulness, or satisfaction we get from using the product. The utility of a good or service may vary from one person to the next. For example, you may get a great deal of enjoyment from a home computer, but your friend may get very little. A good or service does not have to have utility for everyone, only for some.

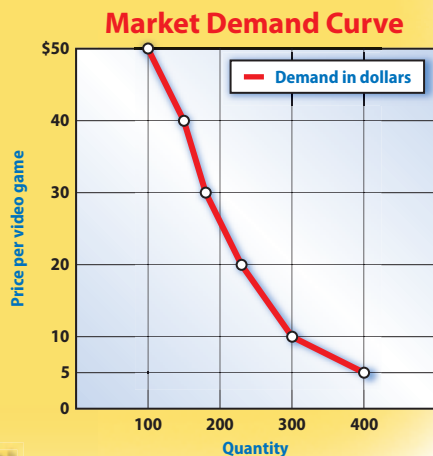


The Law of Demand

Individual Demand Schedule	
Price per video game	Quantity
\$50	0
\$40	1
\$30	1
\$20	2
\$10	3
\$ 5	5



Market Demand Schedule	
Price per video game	Total Quantity Demanded
\$50	100
\$40	150
\$30	180
\$20	230
\$10	300
\$ 5	400



Analyzing Charts and Graphs

- Calculating** How many video games is the market willing to purchase at a price of \$30? What happens to market demand if the price falls to \$20 per video game?
- Explaining** The demand curve is the graphic representation of the law of demand. Why does the demand curve slope downward?

Reading Strategy

Making Connections Ask: Why would an individual be willing to buy only one video game for \$40 but five at \$5? (The individual is able to get more for the money when the video games cost less.) **BL ELL**

Skill Practice

Reading Charts Ask: How many video games is the market willing to purchase at a price of \$10? (300) **OL**

Analyzing Charts and Graphs

Answers:

- 180; market demand for video games increases to 230 if the price drops to \$20.
- Demand curves usually slope downward because people are normally willing to buy less of a product if the price is high and more of it if the price is low.

Differentiated Instruction

Enrichment Activity 6

Enrichment Activity 6

Demand and Supply

Introduction to Demand and Supply
Demand refers to the desire, willingness, and ability to buy a good or a service. For demand to exist, a consumer must want to buy a good or service, be willing to pay for it, and have the resources to buy it. According to the law of demand, the quantity demanded of a good or service increases as the price of the good or service falls. The demand for any product or service does not remain the same over time. Sometimes people are willing to buy larger quantities of a product or service at a particular price. At other times, they are less willing to do so. Supply refers to the number of units of a good or a service that producers are willing to sell at all possible market prices. It is possible to add together the supply of all producers to get the supply for the entire market. According to the law of supply, the higher the price for almost any good or service, the larger the quantity that will be offered for sale.

Getting Further with Demand and Supply

The Real Estate Market
The law of supply is particularly true in the real estate market. This market can be very volatile or unstable. It tends to vary a great deal because of many factors, including changes in population, population density, and the general economic climate. When such conditions result in a dramatic increase in real estate prices, many homes come up for sale. When the housing market is in a downturn, fewer homes are sold.

Housing Booms in the West
During the 1990s, many cities in the western United States experienced a housing boom. Home to three of the world's largest metropolitan areas—Los Angeles, San Francisco, and San Diego—the housing market in and around the city was very active. The city's population peaked in the 1990s at a high level. Many people moved to the area in search of a better quality of life. Foreign investors began to purchase homes that were more affordable and of better quality than their American counterparts. By 1990, the population of Detroit was slightly more than 1 million. Between 1980 and 2000, the city lost 75 percent of its population.

- Objective:** To understand the law of demand and supply
- Focus:** Explore factors affecting demand in the real estate market.
- Teach:** Discuss the real estate markets in Detroit and Las Vegas.
- Assess:** Students should list factors affecting the real estate market in Detroit.
- Close:** Have students research Detroit's current real estate market, then compare and contrast it with 2005.

Differentiated Instruction Strategies

- BL** Explain how a rapidly increasing population, such as in Las Vegas, affects an area's housing market.
- AL** Name a real estate market with high property values and identify the factors supporting those property values.
- ELL** Explain the differences between a robust real estate market and a volatile one.

D Differentiated Instruction

Interpersonal Have groups of students discuss their experiences with diminishing marginal utility. Do they experience this only when consuming food? When watching a movie more than once? If they purchased the same shirt many times? Have students explain their responses. **OL**

✓ Reading Check **Answer:** Individual demand is the desire and ability of an individual to buy a product or service. Market demand is the total demand of all consumers.

Assess



Study Central™ provides summaries, interactive games, and online graphic organizers to help students review.

Close

Identifying List the following items on the board: my favorite DVD; 2008 passenger cars; Ipods; a new swimsuit; a snack; food for my cat. Ask students to work in pairs to determine if each item represents individual demand or market demand.

OL

Section 1 Review

Diminishing Marginal Utility

Our satisfaction usually changes as we consume more of a particular product. For example, when eating pizza, you may be very hungry before you eat the first slice, and so it will give you the most satisfaction. Because you are not quite as hungry after eating the first slice, you receive less **marginal utility**, or additional satisfaction, from each additional slice that you eat. This **illustrates**, or shows, diminishing marginal utility—the principle that our additional satisfaction, or our marginal utility, tends to go down as more units are consumed.

This concept is not something you consciously call marginal utility in your mind when you do it, but it is part of your thought processes. If the extra benefits (the marginal utility) to be gained are greater than the

marginal cost (the money given up or paid) then we make the purchase. Otherwise we keep our money.

Because our marginal utility diminishes when we consume more of a product, it stands to reason that we would not be as willing to pay as much for the second item as we did for the first. **Likewise**, we would not be willing to pay as much for the third item as we did for the second. When the demand curve slopes downward, it simply tells us that we would be willing to pay the highest price for the first unit we consume, a slightly lower price for the next, an even lower price for the third, and so on.

✓ Reading Check **Comparing** What is the difference between individual demand and market demand?

Section 1 Review

Vocabulary

- Write** a sentence for each of these terms that helps explain its meaning: *demand, demand schedule, demand curve, law of demand, market demand, utility, marginal utility.*

Main Ideas

- Explaining** What is the law of demand?
- Comparing** What is the difference between a demand schedule and a demand curve?

Critical Thinking

- Analyzing** Explain how the principle of diminishing marginal utility is related to the law of demand.

- BIG Ideas** On a diagram like the one below, identify a relatively rare good or service today that you think will be in very high demand in 20 years. Provide at least two reasons for your prediction.

Good or Service	
Reason 1	
Reason 2	

- Analyzing Visuals** Study the schedule and graph illustrating the law of demand on page 571. What is the quantity demanded at \$40? What happens to the total quantity demanded as the price increases?

CITIZENSHIP Activity

- Interview** a local merchant to determine the demand for a particular product or service at a specific period of time. Present your findings in graph form. Write a paragraph explaining what factors most affected demand for the product or service.
- Expository Writing** Suppose the boss of a company you work for has asked you how to estimate the demand for a new product the company is introducing. Write a memo outlining how you would approach this assignment.



Study Central™ To review this section, go to glencoe.com.

Answers

- Sentences should use vocabulary words according to their definitions in the section and in the Glossary.
- The law of demand is the principle that overall demand and price move in opposite directions. Higher prices lead to decreased demand, and lower prices lead to increased demand.
- A demand schedule is a table that lists the various quantities of products or services at the prices that consumers are willing to pay.

A demand curve is a graphic illustration of the demand schedule.

- Diminishing marginal utility stipulates that consumer satisfaction diminishes with greater consumption of a product or service. This leads to a decrease in demand for the product or service.
- Answers will vary. Possible answers may include: **Good or Service**—Gasoline. **Reason 1**—It is a limited natural resource for which there is high demand. **Reason 2**—

This resource is found in some politically unstable areas of the world.

- The Market Demand Schedule shows a demand of 230 video games at a price of \$20. As the price per video increases the total quantity demanded decreases.
- Interview information with graphs and explanatory paragraphs will vary.
- Memos outlining an approach to this assignment will vary.

Guide to Reading

Main Idea

Supply and demand in a market interact to determine price and the quantities bought and sold.

Content Vocabulary

- substitute (p. 575)
- complement (p. 576)
- demand elasticity (p. 577)

Academic Vocabulary

- immigration (p. 574)
- phenomenon (p. 577)

Reading Strategy

Organizing As you read the section, complete a diagram like the one below by identifying six factors that affect demand.



Section 2

2

Factors Affecting Demand

Real World Economics “Back-to-school” for college students means big business for some retailers.

While sales in some areas of the home furnishings business in America may be weak, companies that cater to back-to-school shoppers do not suffer from the effects of high energy prices or slower housing sales. Each fall, when thousands of students return to school, stores that sell items such as desk supplies, computers, and dorm-room furnishings can count on a high demand.

▼ College student in Texas tests possible dorm chair's comfort

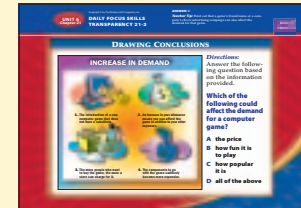


Focus



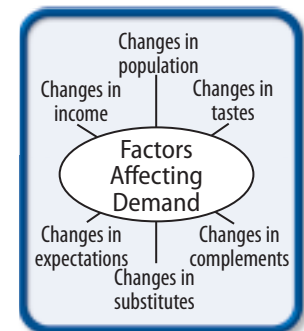
Bellringer

Daily Focus Transparency 21–2



Guide to Reading

Answers to Graphic:



Section Spotlight Video

To learn more about factors affecting demand, have students watch the Section Spotlight Video for this section.

Resource Manager

R Reading Strategies	C Critical Thinking	D Differentiated Instruction	W Writing Support	S Skill Practice
Teacher Edition <ul style="list-style-type: none"> • Identifying, p. 574 • Content Vocab., pp. 576, 577 • Inferring, p. 579 Additional Resources <ul style="list-style-type: none"> • Reading Skills Act., URB p. 7 • Foldables, p. 91 • RENTG., p. 206 	Teacher Edition <ul style="list-style-type: none"> • Making Generalizations, pp. 574, 577 • Drawing Con., p. 574 • Making Inferences, p. 575 • Det. Cause/Effect, p. 576 Additional Resources <ul style="list-style-type: none"> • Crit. Think., URB p. 95 • Quizzes and Tests, p. 249 	Teacher Edition <ul style="list-style-type: none"> • Below Grade Level, p. 578 Additional Resources <ul style="list-style-type: none"> • School-to-Home Act., URB p.101 • Reteach. Act., URB p.103 	Teacher Edition <ul style="list-style-type: none"> • Narrative Writing, p. 575 Additional Resources <ul style="list-style-type: none"> • Enrich. Act., URB p. 13 	Teacher Edition <ul style="list-style-type: none"> • Reading Graphs, p. 575 Additional Resources <ul style="list-style-type: none"> • Daily Focus Trans., 21–2

Teach

Reading Strategy

Identifying Ask: What factors cause market demand to change? (changes in the number of consumers, incomes, tastes, expectations, and the prices of related goods) **OL**

C1 Critical Thinking

Making Generalizations Ask: How will an area's increase in population influence demand for goods and services in a particular market area? (It will increase demand for goods and services in the area.) **OL**

C2 Critical Thinking

Drawing Conclusions Ask: If the demand for goods and services experienced a sudden increase in one city, what could you conclude? (The population had risen.) **BL**

Caption Answer:

Overall market demand for that magazine would increase.

Changes in Demand

Main Idea Several different factors can cause market demand for a good or service to change.

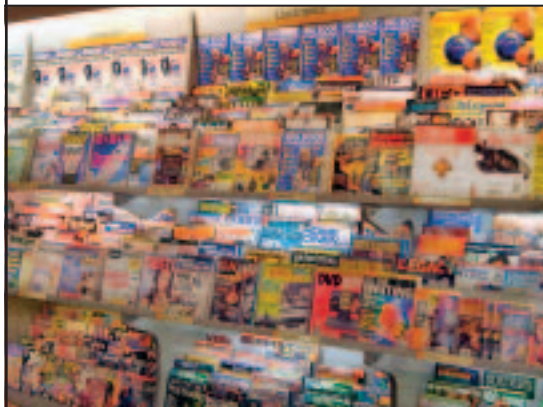
Economics & You Can you remember a toy that you absolutely had to have when you were younger? Read to find out how a product's popularity affects demand.

The demand for any product or service is not the same over time. Sometimes people are willing to buy higher quantities of a good or a service at a particular price. At other times they are less willing to do so. As a result, demand can increase or decrease.

Why Does Demand Change?

Several factors cause market demand to change. Market demand can change when more consumers enter the market. Market demand can also change when the incomes, tastes, and expectations of the consumers in the market change. Finally, changes in the prices of related goods affect demand.

Demand and Choice The huge variety of magazines produced is made possible by consumer tastes. **Predicting** What would happen to demand if there were only one magazine about a particular topic?



These changes can all be graphed using a market demand curve. When demand goes down, people are willing to buy fewer items at all possible prices (see the graph showing a decrease in demand on page 575). In this case, the demand curve shifts to the left. When demand goes up, people are willing to buy more of the same item at any given price. This pushes the entire demand curve to the right. Look at the graph on page 575 that shows an increase in demand.

What Determines Demand?

Demand curves do not shift to the right or left without cause. They shift because of changes in income, preferences, price of related goods, and changes in population. You as a consumer need to be aware of these factors.

Changes in Population Demand for a good in a particular market area is related to the number of consumers in the area. More people means the higher the demand; the smaller the population, the lower the demand.

For example, suppose a company puts up a new apartment building and the building is soon filled with families. These new residents begin to buy products and services from area businesses. As a result, demand for gasoline, food, and video rentals in this area will go up. In this case, the demand curve will shift to the right.

The same factor can cause a change in the opposite direction. When many people move out of an area, demand in that area for goods and services goes down. Here the demand curve shifts to the left.

Why Population Changes The number of consumers in a particular market area may change for a number of reasons. A higher birthrate or increased immigration—the arrival of people from another region—increases the number of consumers. Factors such as a higher death rate or the migration of people out of a region can also cause the number of consumers to fall.

Differentiated Instruction

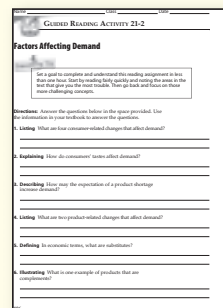
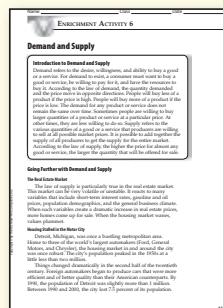
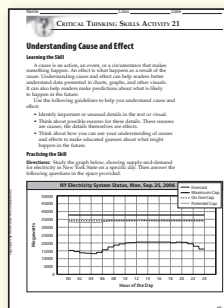
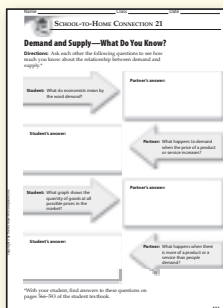
Leveled Activities

BL School-to-Home Activity 21, URB pp. 101–102

OL Crit. Thinking Skills Activity 21, URB pp. 95–96

AL Enrichment Activity 6, URB pp. 13–14

ELL Guided Reading Activity 21-2, URB p. 106



Changes in Income Demand also changes when consumers' incomes change. When the economy is healthy, people receive raises or move to better-paying jobs. With more money to spend, they are willing to buy more of a product at any particular price.

The opposite can happen, too. In hard times, people lose their jobs. They have less money to spend, so demand goes down.

Changes in Tastes Changing tastes and fading popularity of a product can affect demand as well. When a product becomes popular, the demand curve shifts to the right. More people are willing to buy the product at a particular price. We often see this during the holiday shopping season when a new product becomes the "must-buy" of the year.

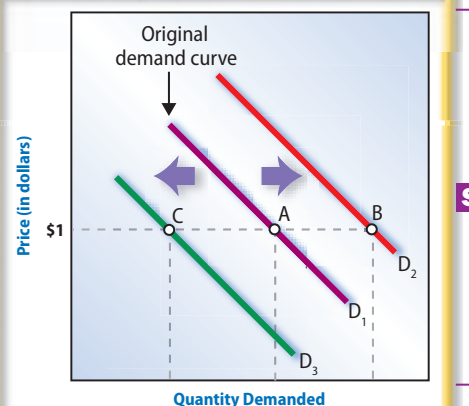
Many products, though, fade in popularity over time. When that happens, fewer are sold at a particular price, and the demand curve shifts to the left.

Changes in Expectations Expectations refer to the way people think about the future. For example, suppose that a leading maker of audio products announces a technological breakthrough that would allow more music to be recorded on a smaller disk at a lower cost than before. Even if the new product might not be available for another year, some consumers might decide to buy fewer music CDs today because they want to wait for the new product.

Expectations can also affect demand in another way. In late 2001, following the September 11 terrorist attacks, people were worried about the economy. As a result, they were less willing to spend money on holiday gifts. The demand for goods was reduced.

Expectations can also force demand higher. If people expect a shortage of a good, such as gasoline, they tend to stock up and demand increases. This shifts the demand curve to the right.

A Change in Demand



Analyzing Graphs

- Explaining** What does it mean when the demand curve shifts to the right (D_1 to D_2)?
- Explaining** What does it mean when the demand curve shifts to the left (D_1 to D_3)?

Product-Related Changes

You have learned that demand curves do not shift to the right or left without cause. Factors that also affect demand are related to the products themselves.

Demand can be influenced by changes in the price or quality of related products. The demand for older computers falls when new models with faster processors come out. The demand for a certain brand of tire may increase when another tire has safety problems.

Price of Related Goods

The demand for a good is affected by the prices of related goods. There are two types of related goods; substitutes and complements. Competing products are called **substitutes** because consumers can use one in place of the other.

C Critical Thinking

Making Inferences Ask: When consumer spending decreases, what can this tell us about general expectations for the economy? (Reduced consumer spending often indicates a poor economy.) **OL**

W Writing Support

Narrative Writing Have students write a one-page story about a product that became popular at school. Remind students they may write about the subject from many different angles. The stories may detail the rise and fall of the product's popularity. They might illustrate the effect the product had on the school. They might portray a character's effort to obtain the product. Tell students the tone of their stories may be realistic or exaggerated. **AL**

S Skill Practice

Reading Graphs Ask: What is the original asking price for the good in the graph? (\$1) **BL**

Analyzing Graphs

Answers:

- Demand is increasing.
- Demand is decreasing.

Hands-On Chapter Project Step 2

Demand and Supply in a Market Economy

Step 2: The Secret of Their Success Have student groups organize information about factors influencing the success of their best-selling products from the past.

Directions Write the Big Idea on the board. Tell students to research information about factors that may have influenced the popu-

larity of the products they reported on in Step 1. What changes in the population may have influenced demand for their products? What was the state of the general economy at the time of its popularity? What were the overall trends in taste and expectations when the products were popular? Have groups make lists of the most important factors that affected demand for their products from the past.

Summarizing Have each group present its lists to the class. Ask students to compare the factors influencing the success of each group's best-selling product. Have volunteers share what they learned about the Big Idea while preparing their lists. **OL**
(Project continued in Section 3)

R Reading Strategy

Content Vocabulary Ask: *What is a related, but competing, product called? (a substitute)* **BL ELL**

C Critical Thinking

Determining Cause and Effect Have students give examples of complementary products (*shoes/shoe polish; bicycles/bicycle helmets; shampoo/conditioner; cars/gasoline*). Ask: *How does a decrease in the price of a product influence the demand for its complementary products? (It increases the demand for the complementary products.)* **OL**

Analyzing Graphs

Answers:

1. demand falls
2. As the price of coffee increases, the demand for tea, a possible coffee substitute, increases.

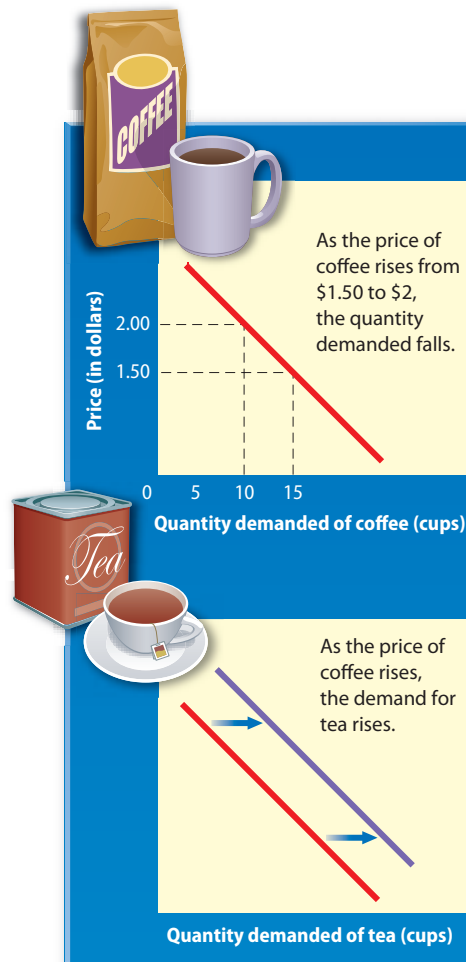
✓ Reading Check Answer: Butter and margarine are substitute goods because they are related, thus competing for the same market.

Additional Support

Teacher Tip

This activity requires students to be aware of prices for a variety of products and services. To help those unfamiliar with current prices and wages, provide store flyers and recent want ads to assist with student research.

Change in Demand for Substitutes



Analyzing Graphs

1. **Explaining** What happens to the demand for coffee if the price of coffee increases?
2. **Analyzing** How would an increase in the price of coffee affect demand for tea?

Changes in Substitutes When two goods are substitutes, a change in the price of one good causes the demand for the other good to move in the *same* direction. For example, for many people, butter is a substitute for margarine. If the price of margarine increases, the demand for butter also increases (shifts to the right).

Changes in Complements Some products are **complements**—they are used together. For example, computers and software are complements. With complementary goods, the demand for one moves in the opposite direction as the price of the other. So if computer prices rise, fewer computers will be demanded, and the demand for computer software will go down.

You can also see the same effect when the price goes down instead of up. When the price of DVD players goes down, more DVD players are demanded, which also results in an increase in the demand for DVDs. Other examples of complements (or complementary goods) include cars and gasoline, and lightbulbs and lamps.

A Change in Quantity Demanded

You learned that a change in demand refers to a shift in the *entire* demand curve. You learned that factors that can shift the demand curve include the number of buyers, income, taste, preferences, and price of related goods.

A change in quantity demanded refers to a movement from one point to another along a given demand curve. The only factor that can directly cause a change in the quantity of a good is a change in the price—its own price. For example, as shown here, the price of coffee increased from \$1.50 to \$2 per cup. The change in the price of coffee brings about a change in the quantity demanded.

✓ Reading Check Comparing Are butter and margarine substitute goods? Why or why not?

Activity: Collaborative Learning

Logical/Mathematical Ask: *What affects demand in a market economy? (price)* Organize the class into small groups and have each group select a single product or service. Ask groups to research the current price for a particular product or service such as laptops or lawn mowing. Have students create a chart that includes information

naming the product or service, its available prices, the average price for the product or service, and the greatest price difference. Have each group present their charts to the class. Encourage students to discuss their findings as they relate to the law of demand. **AL**



Demand Elasticity Auto sales can be affected by changes in price. **Explaining If** these young men purchase a car at a recently reduced price, how does the purchase illustrate the elasticity of demand?

Elasticity of Demand

Main Idea Demand elasticity is the extent to which a change in price causes a change in the quantity demanded.

Economics & You Does your family always have turkey at Thanksgiving? Read to find out what might happen if stores raised the price of turkey at Thanksgiving.

The law of demand states that price and quantity demanded move in opposite directions. If price goes up, quantity demanded goes down; and if price goes down, quantity demanded goes up.

Now suppose price goes up from \$1 to \$1.25, a 25 percent increase. We know that quantity demanded will go down, but we do not know by how much. Quantity demanded could go down by 25 percent, by less than 25 percent, or by more than 25 percent.

All products and services are not affected by these factors in the same way. Economists call this **phenomenon**, or rare occurrence, **demand elasticity**. Demand elasticity is the extent to which a change in price causes a change in the quantity demanded.

Elastic Demand

For some goods and services, demand is elastic. This means that each change in price causes a relatively larger percentage of change in quantity demanded. For example, when automakers reduce car prices modestly, the quantity sold goes up greatly. When they raise the price of their cars, the quantity sold goes down a great deal.

When there are attractive substitutes for a good or service, demand tends to be elastic. That is because consumers can choose to buy the substitute. Expensive items generally have elastic demand. That is because consumers are less willing to pay even more for goods that are expensive in the first place.

Reading Strategy

Content Vocabulary Ask: What is a synonym for “phenomenon?” (event) **OL**

Critical Thinking

Making Generalizations Remind students that demand for some goods and services is elastic. Price changes greatly affect demand for these goods and services. Ask: What generalization can we make about goods and services with an elastic demand? (They tend to be more expensive, may have substitutes, and are not absolute necessities.) **OL**

Caption Answer:

When some goods, such as cars, show even a modest reduction in price, a larger quantity is demanded.

Differentiated Instruction

Chapter 21 577

Reading Skills Activity 6

Identifying Cause and Effect

Learning the Skill

Have you ever asked the question “How did that happen?” when you did not know why something happened? A cause is an event that leads to an effect or result. One effect may have more than one cause, and one cause may lead to multiple effects. Identifying cause and effect in your reading allows you to better understand how something happened. It may also help you make predictions about future effects.

Use the following steps to help you identify cause and effect as you read.

- Identify a cause by asking, “Why did this happen?” or “What led to this event?”
- Identify an effect by asking, “What happened?” or “What was the result?”
- Most of the time, a cause will appear before the effect, so you may have to reverse the text to identify causes of an effect.
- Look for words and phrases in the text that signal a cause and effect relationship. These include *because*, *therefore*, *and*, *so*, *as a result*, and *consequently*.
- Check to make sure that you have identified all the effects of a cause and all the causes of an effect.

Practicing the Skill

Directions: Read the following excerpt from Chapter 21 about the economic concept of demand. Then complete the activity on the next page by identifying some of the causes and effects in the excerpt.

Demand for a good in a particular market area is related to the number of consumers in the area. When people move to the higher the demand, the greater the population, the lower the demand. For example, suppose a company plans to build a new apartment building and the building is near the city center. There may be many people who live in the city center, so there may be many people who live in the city center. As a result, demand for goods, food, and services in this area will go up. In this case, the demand curve will shift to the right.

Reading Skills Activity 6,
URB pp. 7–8

Identifying Cause and Effect

- Objective:** To identify cause-and-effect relationships
- Focus:** Students analyze elasticity of demand for products.
- Teach:** Discuss the steps that help identify cause and effect.
- Assess:** Have students give examples of elastic and inelastic products.
- Close:** Create a class chart listing various products, whether demand for them is elastic or inelastic, and why.

Differentiated Instruction Strategies

- BL** What is the effect on demand for a product when its price increases?
- AL** Research and write a summary of the effects of demand elasticity on health insurance.
- ELL** Use a rubber band to demonstrate the effect of decreasing prices on demand for products.

D Differentiated Instruction

Below Grade Level Tradition creates an inelastic demand for turkey during Thanksgiving. Have students think of other traditional items that may create an inelastic demand. (*roses and candy at Valentine's Day; sparklers and red, white, and blue items for the Fourth of July*) **OL**

Reading Check **Answer:** Insulin is a necessity. A person with diabetes must have insulin no matter the cost.

Assess



Study Central™ provides summaries, interactive games, and online graphic organizers to help students review.

Close

Outlining Have students work in pairs to outline the various factors affecting demand. (*population changes; income increases or decreases; tastes; expectations; substitutes; complements*). **OL**

Section 2 Review

Finally, demand is usually elastic when a purchase can be postponed until later. In this case, consumers delay buying the good or service in the hopes that the price will go down. Again, this usually happens when consumers are dealing with higher priced items.

Inelastic Demand

D You know that demand for a good or service is elastic if it is very responsive to a change in price. For other goods and services, demand is inelastic. This means that price changes have little effect on the quantity demanded. For example, the demand for turkey at Thanksgiving tends to be inelastic. Many people make turkey a central part of their Thanksgiving meal. If supermarkets slightly raise the price of turkey, they would probably not lose many customers. At another time of year, higher turkey prices might cause consumers to purchase other meat products instead.

The demand for goods with very few or no substitutes, such as pepper, electricity, and some medicines, is likely to be inelastic. Heart medicine, for example, has relatively few substitutes; many people must have it to stay well. Even if the price of heart medicine doubled, quantity demanded probably would not fall by much.

Necessities and Luxuries Demand for heart medicine and food is inelastic because these are necessities. Necessities are goods that people need in order to survive. If the price of a necessity increases, people cannot cut back very much on the quantity demanded. However, demand for luxuries is likely to be elastic. If the price of a luxury good increases, buyers are more able to cut back on the quantity demanded.

Reading Check **Inferring** Why is the demand for insulin, a medicine for people with diabetes, inelastic?

Section Review

Vocabulary

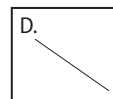
- Write** a paragraph in which you use each of these terms correctly: *substitute, complement, demand elasticity*.

Main Ideas

- Explaining** If income and population increase, what tends to happen to demand?
- Comparing** What is the distinction between elastic and inelastic demand?

Critical Thinking

- Concluding** Will products that are very important to us and that have no close substitutes have elastic or inelastic demand? Why? What is an example of such a product?
- BIG Idea** Re-create the diagram below. Use arrows to indicate the direction of movement on the demand curve for tennis balls if the price of tennis rackets increases.



Civics Activity

- Research** Find an example of the law of demand or elasticity of demand in a newspaper or magazine article or advertisement. Share your findings with the class.
- Creative Writing** Working with a partner, write a dialogue between a store owner and a customer about some aspect of demand, as discussed in this section. Perform your dialogue with a partner for the class.



Study Central™ To review this section, go to glencoe.com.

Answers

- Paragraphs should use the vocabulary words according to their definitions in the section and in the Glossary.
- Demand increases.
- Goods and services for which demand is very responsive to a change in price are those with elastic demand. Goods and services for which price has little effect are those with inelastic demand.
- Inelastic demand; these products are necessities we must have. Medicines and utilities such as heat and water are examples of products with inelastic demand.
- Tennis rackets and tennis balls are complementary products. The arrows should indicate movement to the left of the demand curve.
- Answers will vary; students should explain how their articles or advertisements illustrate the law of demand.
- Dialogues will vary; all should effectively illustrate an aspect of demand.

Writing a Résumé: Dos and Don'ts

A résumé is a brief summary of your abilities, education, experience, and skills. To get an employer's attention, prepare a one- to two-page résumé that highlights your talents and skills. Prevent it from landing in the recycle bin by keeping these ideas in mind.

R1

Résumé Dos

- Include your contact information.
- Make the layout easy to read.
- Highlight your special skills.
- Print your résumé on high-quality paper.
- Review your résumé for any grammar errors or other mistakes.
- Use action words to describe your experience and accomplishments.
- Always include a cover letter with your résumé. Get right to the point in your letter. State your employment goal and highlight reasons that you are qualified for the job.

C

Résumé Don'ts

- Do not include any personal information such as your race, religion, family, or marital status.
- Do not use inaccurate dates or pad your résumé with things you have not actually done.
- Do not write long paragraphs; use bulleted lists instead.

Your Résumé

Objective

OBJECTIVE:
Seeking a summer internship at Middletown Bank

Education

EDUCATION:
West Prairie Land High School, Middletown, KS
Diploma expected June 2008
GPA: 3.7/4.0

Experience

EXPERIENCE:
Jerry's Pizza Shop, Middletown, KS
Crew Leader (March 2005–present)
• Managed employees and time sheets

COMMUNITY SERVICE:
Riverside General Hospital, Middletown, KS (Summer 2007)
• Contributed 8 hours per week in pediatrics

HONORS:
National Honor Society, member, 2007–present
• Honor Society Treasurer (2008)

Honors & Activities

Analyzing Economics

Writing a résumé Be sure to include these parts: name and contact information, objective statement (your career goals), education, professional experience, and skills.

Chapter 21 579

Activity: Collaborative Learning

Interpersonal: Ask: **What is the key factor in being hired for a job?** Remind students that performing well on a job interview is just as important as having an impressive résumé. Organize students into groups. Have each group brainstorm a list of job interview dos and don'ts. After stu-

dents have compiled their lists, ask each group to write a short scene showing the correct and incorrect way to interview for a job. Have students perform their scenes. Encourage the class to revise their lists of dos and don'ts, incorporating the best ideas from each other's lists and scenes. **OL**

Teach

R1 Reading Strategy

Inferring Ask: **What can we infer about a résumé that lands in the recycle bin?** (The job seeker did not get the job.) **OL**

R2 Reading Strategy

Organizing Ask: **Which section of a résumé states the job seeker's career goals?** (objective) **BL**

C Critical Thinking

Predicting Consequences Ask: **What is the likely consequence of a long, rambling cover letter?** (Answers may vary, but many students will say that the employer may be too busy to read the entire letter.) **OL**

Analyzing Economics

Answer: Résumés will vary, students should include all parts of the résumé and follow a standard format.

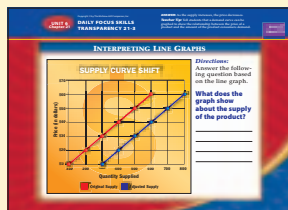
Additional Support

Focus



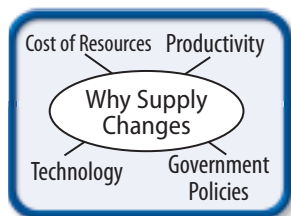
Bellringer

Daily Focus Transparency 21-3



Guide to Reading

Answers to Graphic:



Section Spotlight Video

To learn more about supply and the supply curve, have students watch the Section Spotlight Video for this section.

Resource Manager

Guide to Reading

Big Idea

Supply and demand in a market interact to determine price and the quantities bought and sold.

Content Vocabulary

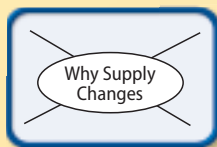
- supply (p. 581)
- law of supply (p. 581)
- supply schedule (p. 581)
- supply curve (p. 583)
- profit (p. 583)
- market supply (p. 584)
- productivity (p. 585)
- technology (p. 585)
- subsidy (p. 585)
- supply elasticity (p. 586)

Academic Vocabulary

- motive (p. 583)
- restrict (p. 585)

Reading Strategy

Organizing As you read the section, complete a diagram like the one below to identify the factors that affect supply.



Supply and the Supply Curve

Real World Economics Organic farming is changing the face of American agriculture. Why? Because of the growing demand for its products from customers. In addition to concerns about pesticides that nonorganic growers use, consumers now want to “buy local” to avoid using extra fuel to transport food from thousands of miles away. Organic farmers Dennis and Sandy Dierks find customers are willing to pay extra for their organic produce. So organic farmers are reporting rising profits, which help recoup their increased production costs.

▼ Dennis and Sandy Dierks harvest vegetables on their organic farm



R Reading Strategies	C Critical Thinking	D Differentiated Instruction	W Writing Support	S Skill Practice
Teacher Edition <ul style="list-style-type: none"> • Making Connections, p. 581 • Predicting, p. 582 • Setting a Purpose, p. 583 Additional Resources <ul style="list-style-type: none"> • Ac. Vocab., URB p. 90 • Guid. Read., URB p. 107 • Foldables, p. 91 	Teacher Edition <ul style="list-style-type: none"> • Drawing Con., p. 581 • Pred. Consequences, p. 584 • Det. Cause/Effect, p. 586 Additional Resources <ul style="list-style-type: none"> • Crit. Think. Act., URB p. 95 • Quizzes and Tests, p. 250 	Teacher Edition <ul style="list-style-type: none"> • Logical/Math., p. 584 Additional Resources <ul style="list-style-type: none"> • Diff. Instr., URB p. 99 • Reteach Act., URB p. 103 	Teacher Edition <ul style="list-style-type: none"> • Persuasive Writing, p. 585 Additional Resources <ul style="list-style-type: none"> • Enrich. Act., URB p.13 • Writing Skills Act., URB p. 93 	Teacher Edition <ul style="list-style-type: none"> • Reading Graphs and Charts, pp. 582, 583 Additional Resources <ul style="list-style-type: none"> • Daily Focus Trans., 21–3



Supply and Choice Consumers must choose from a huge number of snack foods, each with a different price and nutritional value. **Comparing** What do you think affects the supply of snack foods the most—the price or ingredients? Why?

Teach

C Critical Thinking

Drawing Conclusions Remind students that as the price of a good rises, consumer demand for the good decreases. However, as the price of a good rises, businesses have an increased incentive to produce the good. **Ask: How might these two factors interact with each other in a market economy?** (These two factors create a constant fluctuation between price, supply, and demand.) **OL**

R Reading Strategy

Making Connections **Ask: Why do suppliers ask different prices for products?** (to determine how much buyers are willing to pay) **OL**

Caption Answer:

Ingredients. The total cost of ingredients used to make the snack food will affect the overall price of the product.

✓ Reading Check

Answer: A supply schedule is a numerical chart that shows the various quantities of a good or service that producers are willing to sell at all possible market prices.

Differentiated Instruction

An Introduction to Supply

Main Idea Supply is the quantities of a good or service that producers are willing to sell at all possible market prices.

Economics & You If you were paid overtime, would you want to work extra hours? Read to find out what economic theory is at work.

What is supply? **Supply** refers to the various quantities of a good or service that producers are willing to sell at all possible market prices. Supply normally refers to the output of a single business or producer. However, it is also possible to add together the supply of all producers to get the supply for the entire market.

Supply is the opposite of demand. Buyers demand different quantities of a good depending on the price sellers ask. Suppliers offer different quantities of a product depending on the price buyers are willing to pay.

The Law of Supply

Remember that as the price rises for a good, the quantity demanded goes down. As the price of a good goes down, the quantity demanded rises. The quantity supplied also varies according to price—but in the opposite direction. As the price rises for a good, the quantity supplied rises. As the price falls, the quantity supplied also falls. This is the **law of supply**, the principle that suppliers will normally offer more for sale at higher prices and less at lower prices. The higher the price of a good, the greater the incentive is for a producer to produce more.

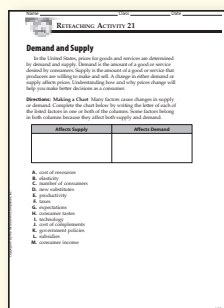
We can represent the law of supply with numbers, just as we did with the law of demand. The table at the top left of page 582 shows this. As the price goes up from \$5 to \$10 to \$20 and to \$50, the quantity supplied goes up from 1 to 10 to 30 and to 100. Producers create more items in the hopes of selling more at the higher price. A numerical chart that illustrates the law of supply is called a **supply schedule**.

✓ Reading Check **Explaining** What does a supply schedule show?

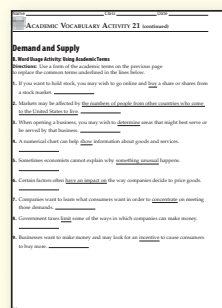
Chapter 21 581

Leveled Activities

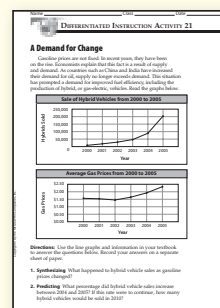
BL Reteaching Activity 21, URB p. 103



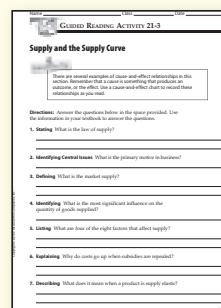
OL Academic Vocabulary Activity 21, URB p. 90



AL Diff. Instruction Activity 21, URB pp. 99–100



ELL Guided Reading Activity 21-3, URB p. 107



R Reading Strategy

Predicting Ask: What would most likely happen to the total quantity supplied if the price per video game went from \$50 to \$100? (the total quantity would increase) **BL**

S Skill Practice

Reading Charts Ask: As the price per video game rises from \$30 each to \$40 each, does the market supply more videos or less? (more) How many videos difference? (45) **OL**

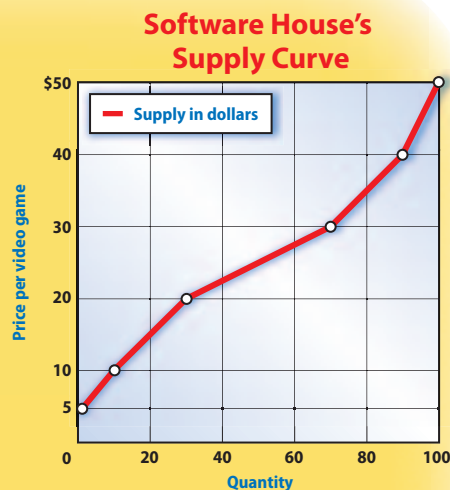
Analyzing Charts and Graphs

Answers:

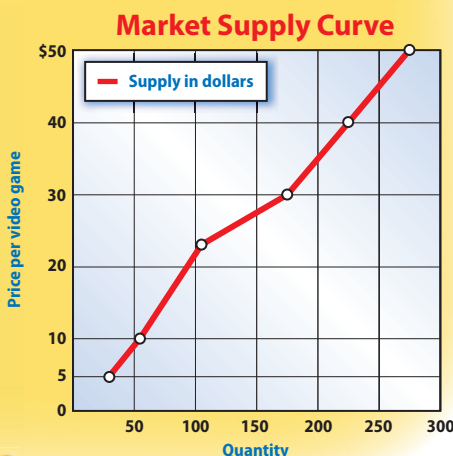
- Higher prices create more incentive for producers to supply greater quantities of goods and services. Lower prices reduce incentive for producers to supply greater quantities of goods and services.
- As prices rise, producers supply greater quantities of goods and services.

The Law of Supply

Supply Schedule	
Price per video game	Quantity
\$50	100
\$40	90
\$30	70
\$20	30
\$10	10
\$5	1



Market Supply Schedule	
Price per video game	Total Quantity Supplied
\$50	275
\$40	225
\$30	180
\$20	105
\$10	55
\$5	30



Analyzing Charts and Graphs

- Describing** What is the relationship between the price of a good and the quantity supplied?
- Explaining** The supply curve is the graphic representation of the law of supply. Why does the supply curve slope upward?

Differentiated Instruction

A Demand for Change

Complete prices are not fixed. In recent years, they have risen on the rise. Economists explain that this has a result of supply and demand. In response, many car makers and other manufacturers have designed for oil supply no longer remains constant. This situation has prompted a demand for improved fuel efficiency, including the production of hybrid, or gas-electric, vehicles. Read the graphs below.

Directions: Use the line graphs and information in your textbook to answer the questions below. Record your answers on a separate sheet of paper.

- Synthesizing** What happened to hybrid vehicle sales as gasoline prices changed?
- Predicting** What percentage did hybrid vehicle sales increase between 2000 and 2005? If the rate were to continue, how many hybrid vehicles would be sold in 2007?

Diff. Instruction Act. 21, URB pp. 99–100

A Demand for Change

- Objective:** To understand the interaction between supply and demand
- Focus:** Predict the effect of oil supplies on demand for fuel-efficient vehicles.
- Teach:** Review the line graphs on page 99.
- Assess:** Have students write two sentences summarizing each graph's information.
- Close:** Have students write paragraphs explaining how the two line graphs illustrate supply and demand.

Differentiated Instruction Strategies

- BL** How does the trend in sales of hybrid vehicles compare with the trend in gasoline prices on the line graphs?
- AL** Research world supply of oil and demand for oil by major industrial nations. Then create a graph showing supply and demand for oil.
- ELL** Explain the use of hyphens in compound words such as "gas-electric."

Graphing the Supply Curve

Main Idea As with the law of demand, special tables and graphs can show the law of supply.

Economics & You Suppose you own a company that sells television sets and the price of a set falls from \$500 to \$400. Would you want to supply more or fewer TV sets? Read on to find how the law of supply operates.

You have learned that we can represent the law of supply in a numerical chart called a supply schedule. We can also illustrate the law of supply with a graph.

The Individual Supply Curve

A **supply curve** is a graph that shows the amount of a product that would be supplied at all possible prices in the market.

Like the demand curve, the supply curve graph is drawn with prices on the vertical axis and quantities on the horizontal axis. In the supply curve on the previous page, the quantities are the amounts of the good or service that the business will supply. Unlike the demand curve, the supply curve slopes upward. This reflects the fact that suppliers are generally willing to offer more goods and services at a higher price and fewer at a lower price.

The Profit Motive

Businesses invest time, money, and other capital resources to make money. Businesses try to set prices at a level that allows them to cover their costs. If they do not, they will lose money.

In our economy, businesses provide goods and services, hoping to make a **profit**. Profit is the money a business receives for its products or services *over and above* its costs. It is a primary **motive**, or purpose, in business.

Changes in Supply When a leak was discovered in this oil pipeline in Prudhoe Bay, Alaska, the BP company shut it down. **Describing** How could this shutdown affect the price and supply of oil?



583

Demand and Supply in a Market Economy

Step 3: Making It! Have student groups use the information they gathered in Step 2 to help them come up with their own potential best-selling products or services.

Directions Tell student groups to brainstorm ideas for new products or services.

Have students keep in mind the factors that contribute to a successful product or service. **Ask:** *Where and to whom will you sell your product or service? How much will it cost to produce your product or service? What price will you ask for your product or service? What are the expected costs of and profits from your product or service?* Have groups collaborate on writ-

S Skill Practice

Reading Graphs and Charts Have students name two kinds of graphs used to illustrate the law of supply. (*supply schedule, supply curve*) **Ask:** *Which chart represents the law of supply in a numerical chart? (supply schedule)* **OL**

R Reading Strategy

Setting a Purpose **Ask:** *What principle does the law of supply state? (Suppliers are generally willing to offer more goods and services at higher prices than at lower prices.)* **OL**

Caption Answer:

The shutdown of the oil pipeline could lead to a reduced supply of oil, which in turn could lead to higher oil prices.

Hands-On Chapter Project Step 3

ing a one-page business plan addressing these issues.

Summarizing Have each group present its business plan to the class. Encourage the class to ask questions about each group's plan. **OL**

(Project continued in Section 4)

D Differentiated Instruction

Logical/Mathematical Tell students the Daily Bread Bakery produces a popular whole wheat bread. It costs the bakery 79 cents to make each loaf of bread.

Ask: What is the least amount of money the bakery must charge per loaf to make a profit? (80 cents) **OL**

C Critical Thinking

Predicting Consequences **Ask:** What will happen to a business in which the producers keep all the profits for themselves? (If some of the profits are not put back into the business, the business will not grow and may eventually fail.) **OL**

Reading Check **Answer:** Price is the most important factor, with suppliers preferring to produce more at a higher price.

Analyzing Charts

Answers:

1. The quantity has decreased.
2. to the right—new technology is usually in demand by consumers

Additional Support

D If it costs Software House \$40 to make a video game and it sells the game for \$40, the company gains nothing from the sale. Making money on the sale requires selling the game for more than \$40. The additional money is the owner's profit.

C Producers can choose to use their profits in many different ways. They can increase wages, invest the money in the business, acquire more space, buy new equipment, or hire new workers. They can also keep the money for themselves.

Market Supply

The total of all consumers' demand is called the market demand. If you combine the supply schedules of all the businesses that provide the same good or service, the total is called the **market supply**.

An Upward Slope The figure on page 582 shows the market supply for video games in one community. Notice that the market supply for all producers is larger than the supply for the Software House alone. (Compare the graphs on page 582.) Still, the market supply curve has the same shape as the individual supply curve. The upward slope shows that all of the producers in the market would prefer to sell more video games at higher prices and fewer games at lower prices.

Price and Other Factors Keep in mind that the price is the most significant influence on the quantity supplied of any product. For example, you are offering your services for sale when you look for a job. Your economic product is your labor, and you would probably be willing to supply more labor for a high wage, or price, than you would for a low one.

However, other factors affect supply. The supply curve is drawn assuming that these and other things are fixed and do not change. If any of these factors does change, a change in supply will occur.

Reading Check **Explaining** How is market supply determined?

Changes in Supply

Main Idea Supply increases or decreases depending on many different factors.

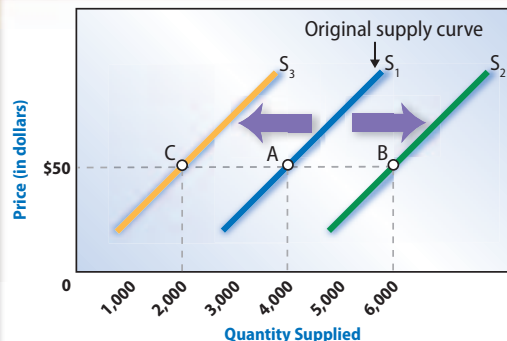
Economics & You Would you expect to pay a high price for a tomato if it were the only one in the whole grocery store? Read to find out why that tomato would probably be costly.

Just like demand, supply can increase or decrease, depending on many different factors.

Why Does Supply Change?

The profit incentive is a factor that motivates people in a market economy which pushes other factors. For a change in supply to take place, producers must decide to offer a different quantity of output at each possible price in the market.

Shifts in the Supply Curve



Analyzing Charts

1. **Explaining** What does it mean when the supply curve shifts to the left?
2. **Deducing** In what direction would new technology push the supply curve? Explain.

Activity: Economics Connection

Converting a Supply Schedule into a Supply Curve Remind students that price affects supply in a market economy. Ask students to use the information in the supply schedule to create supply curve graphs. Have students use graph paper to create their supply curves. (Supply curves should resemble model on this page.) **OL**

Supply Schedule	
Price Per Stereo Shelf System	Quantity
\$200	300
\$150	225
\$100	150
\$75	80
\$50	30
\$30	1

When supply goes down, the supply curve moves to the left. When supply goes up, the supply curve is pushed to the right. This means suppliers are willing to sell a larger quantity of goods and services at the original price and all other prices. You can see these changes in the figure on page 584.

Factors that can affect supply include the following:

- **The Cost of Resources** When the prices of resources used to produce goods and services fall, production costs fall. Sellers are able to produce and sell more of the good. When resource prices rise, sellers are less able to produce and sell the same quantities of the good because production costs rise.
- **Productivity** When workers are more productive, a company's costs go down. More products are produced at every price. When productivity falls, it costs more for a company to produce the same amount of goods and services.
- **Technology** **Technology** refers to the methods, or processes, used to make goods and services. New technology can speed up ways of doing things and cut a business's costs. The business is willing to supply more goods and services at the same price.
- **Government Policies** In general, increased government regulations **re-**strict, or limit, supply, causing the supply curve to shift to the left. A rise in the minimum wage or new safety requirements in cars can result in higher production costs, which, in turn, lead to lower production levels.
- **Taxes** To businesses, higher taxes mean higher costs, pushing the supply curve to the left. Lower taxes—lower costs—move the supply curve to the right.

- **Subsidies** A **subsidy** is a government payment to an individual, business, or other group for certain actions. Subsidies lower the cost of production. When subsidies are repealed, costs go up, and the supply curve shifts to the left.
- **Expectations** If businesses believe that consumer demand will not be very high in the near future, they will produce less of their products. If they expect demand to go up, they will produce more at all possible prices.
- **Number of Suppliers** The larger the number of suppliers, the greater the market supply. If some suppliers leave the market, market supply decreases, shifting the curve to the left.

Reading Check **Explaining** How does productivity affect supply?

Quality Control An inspector at the Indian Motorcycle plant in California works at the end of the assembly line. **Analyzing** **What happens to company costs if workers at the plant are more productive?**



W Writing Support

Persuasive Writing Have students research a government business regulation and write an editorial arguing for or against the regulation. If writing in favor, students should explain why the benefits outweigh the costs. If writing against, students should explain why higher production is of greater value than the benefits of the regulation. **AL**

Civics ONLINE

Objectives and answers to the **Student Web Activity** can be found at glencoe.com under the Web Activity Lesson Plan for this chapter.

Reading Check **Answer:** Increased productivity lowers production costs, which leads to increased supply.

Caption Answer:
When workers are more productive, company costs go down.

Civics ONLINE

Student Web Activity Visit glencoe.com and complete the Chapter 21 Web Activity.

Additional Support

Activity: Collaborative Learning

Analyzing Information **Ask:** **Why does the U.S. government subsidize oil companies?** Have students research the issues around government subsidies for oil companies. Organize students into groups to present information to the class on various aspects of the question: record oil profits; incentives to oil companies to build refin-

eries and to search for oil; disincentives to create renewable, environmentally friendly energy and energy-efficient products.

After the groups have presented their information, poll the class about whether they agree or disagree that the government should subsidize oil companies. Encourage students to explain their positions. **AL**

C Critical Thinking

Determining Cause and Effect Ask: **What makes a product supply inelastic?** (the inability of producers to quickly increase supply of the product in response to higher demand and increased prices) **OL**

Reading Check Answer: the ability of producers to quickly increase product supply in response to increased demand and higher prices

Assess



Study Central™ provides summaries, interactive games, and online graphic organizers to help students review.

Close

Determining Importance Have students discuss the role of supply in a market economy. (It plays an important role in determining the price and quantities of products and services bought and sold.) **OL**

Section 3 Review

Elasticity of Supply

Main Idea Supply elasticity measures how the quantity supplied of a good or service changes in response to changes in price.

Economics & You What is the price of a gallon of gasoline right now? Read to find out why gasoline producers react slowly to a change in the price of gas.

Like demand, supply can be elastic or inelastic. **Supply elasticity** is a measure of how the quantity supplied of a good or service changes in response to changes in price. If the quantity changes a great deal when prices go up or down, the product is said to be supply elastic. It is elastic in the sense that like a piece of elastic it can expand out or decrease in size. If the quantity changes very little, the supply is inelastic.

Supply elasticity depends on how quickly a company can change the amount of a product it makes in response to price changes. For example, oil is supply inelastic. When oil prices go up, oil companies cannot quickly dig a new well, build a pipeline to move the oil, and build a refinery to turn it into gasoline. The same is true of other products that require producers to invest large sums of money in order to produce them.

The supply curve is likely to be elastic, however, for kites, candy, and other products that can be made quickly without huge amounts of capital and skilled labor. This is especially true of food items whose production can be quickly increased, and often is during special holiday time during the year. If consumers are willing to pay twice the price for any of these products, most producers will be able to gear up quickly to increase production.

Reading Check Explaining What is supply elasticity?

Section 3 Review

Vocabulary

- Write** sentences in which you use these key terms: *supply, law of supply, supply schedule, supply curve, profit, market supply, productivity, technology, subsidy, supply elasticity.*

Main Ideas

- Explain** the law of supply.
- Identify** four factors that can cause changes in supply.
- Describing** What kinds of products are considered supply elastic?

Critical Thinking

- Describing** What is an example of how business expectations can increase or decrease supply?
- BIG Idea** Use a chart like the one below to illustrate the effect of price on supply.

Price	Effect
Increase	
Decrease	
- Analyzing Visuals** Study the two supply schedules on page 582. How are they similar? How are they different?

Citizenship Activity

- Research** Make a list of products manufactured in your town, city, or community. Decide if each one is supply elastic or supply inelastic. Share your list with the class.
- Descriptive Writing** Write a short chalk talk for first graders in which you explain the law of supply. Be sure to include examples and graphic aids that your audience will understand.



Study Central™ To review this section, go to glencoe.com.

Answers

- Sentences should use vocabulary words according to their definitions in the section and in the Glossary.
- The law of supply is the principle that the higher the price of a good, the greater the incentive for a producer to produce it.
- Answers may include the following: price, cost of resources, productivity, technology, government policies, taxes, subsidies.
- Elastic products are items that producers can quickly increase or decrease the supply of in

- Answers will vary. Many students may say that expectations about consumer response to a new technology will lead to an increased or a decreased supply of the item.
- Price Increase:** Increased Supply; **Price Decrease:** Decreased Supply
- Both supply schedules provide information on quantities of video games at various prices. The first supply schedule provides

- information about supply quantities for only the Software House. The second supply schedule provides information about total market supply quantities.
- Lists will vary. Students should list a variety of products and include both elastic and inelastic products.
- Chalk talks will vary. Students should remember to tailor their talks to their audiences.

Guide to Reading

Big Idea

Supply and demand in a market interact to determine price and the quantities bought and sold.

Content Vocabulary

- surplus (p. 588)
- shortage (p. 589)
- equilibrium price (p. 589)
- price ceiling (p. 589)
- price floor (p. 589)
- minimum wage (p. 589)

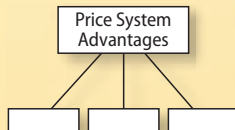
Academic Vocabulary

- mechanism (p. 588)
- purchase (p. 588)
- focus (p. 590)

Reading Strategy

Analyzing Cause and Effect

As you read the section, complete a diagram like the one below by describing three advantages of using prices to distribute goods and services.

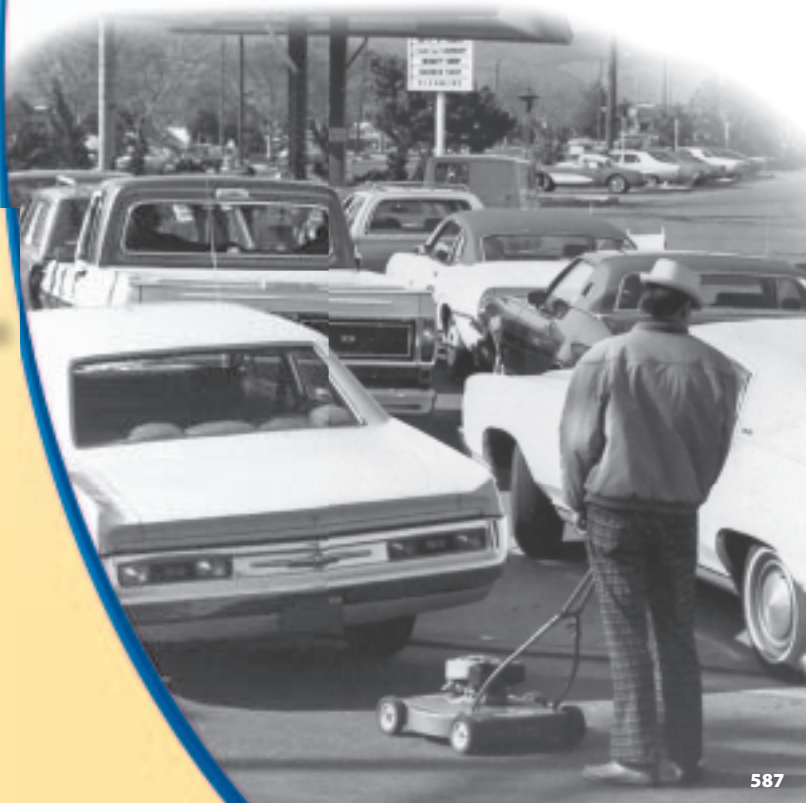


Section 4

Demand and Supply at Work

Real World Economics In 1974, U.S. gasoline customers waited in line for hours for a chance to buy fuel. At the time, several Middle Eastern nations had decided not to ship any oil to the United States. The resulting oil shortage caused the price for a gallon of gasoline to quadruple and the supply diminish. Gas stations often could not meet the demand and refused to sell their product to anyone who brought in an empty container rather than the item itself. This forced customers to wait in line with their lawn mowers and other fuel-powered tools.

▼ A man in San Jose, California, lines up with his lawn mower to buy gas during a fuel shortage

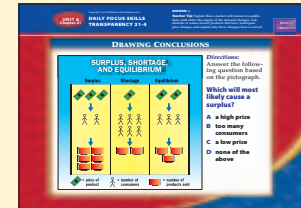


Focus



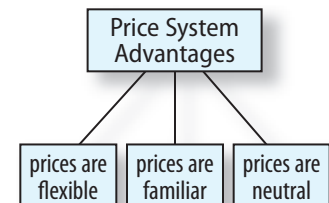
Bellringer

Daily Focus Transparency 21-4



Guide to Reading

Answers to Graphic:



Section Spotlight Video

To learn more about demand and supply at work, have students watch the Section Spotlight Video for this section.

Resource Manager



Reading Strategies

Teacher Edition

- Identifying, pp. 588, 589
- Monitoring, p. 590
- Questioning, p. 591

Additional Resources

- Cont. Vocab., URB p. 88
- Ac. Vocab., URB p. 90
- Guided Read., URB p. 108
- RENTG, p. 204



Critical Thinking

Teacher Edition

- Pred. Consequences, p. 588
- Making Inferences, pp. 589, 590
- Det. Cause/Effect, p. 591

Additional Resources

- Biographies., URB p. 91
- Crit. Think. Act., URB p. 95
- Quizzes and Tests, p. 251



Differentiated Instruction

Teacher Edition

- Below Grade Level, p. 592

Additional Resources

- Diff. Instr., URB p. 99
- Reteach Act., URB p. 103
- Graphic Novel, p. 83



Writing Support

Teacher Edition

- Expository Writing, p. 592

Additional Resources

- Writing Skills Act., URB p. 93
- Enrich. Act., URB p. 13



Skill Practice

Teacher Edition

- Reading Graphs, p. 589

Additional Resources

- Chart, Graph, and Map Skills, URB p. 97
- Daily Focus Trans., 21-4
- Pol. Cartoons Trans. 21

Teach

R Reading Strategy

Identifying Ask: In a market economy, what is the basis for making economic decisions? (price) **BL**

C Critical Thinking

Predicting Consequences According to the Price Adjustment chart, there is a surplus of 75 video games at a price of \$40 each. **Ask:** How will this probably affect the price of the 75 surplus video games? (The price of the games will go down.) **OL**

TIME Political Cartoons

Answers:

1. The store has a supply surplus.
2. Businesses can reduce the price of their products or withhold some of the products from the market in an attempt to create increased demand.
3. This situation is economically unhealthy for businesses because it causes them to make a smaller profit or even to lose money. It is economically healthy for consumers because it allows them to save money by getting products at a lower price.

Additional Support

Markets and Prices

Main Idea The forces of supply and demand work together in markets to establish prices.

Economics & You Have you ever tried to bargain for a lower price on something you bought? Read to find out how economists view the process of setting prices.

As you learned earlier, a market is any **mechanism**, or place, where buyers and sellers of a good or service get together to exchange that good or service. For example, to buy corn, people might go to a farmers market or a supermarket. Someone who wants to buy stock might use a computer to **purchase**, or buy, it from a stock market. In each case, markets bring buyers and sellers together.

R The forces of supply and demand work together in markets to establish prices. In our economy, prices form the basis for economic decisions.

The Price Adjustment Process

A market consists of all buyers and sellers of a product. To see how supply and demand work together, we need to combine the supply and demand curves. Look at the graph on page 589. It shows the market demand curve for video games (the line marked “D” on the graph) and the market supply curve (marked “S”) for those games.

C Surplus Suppose we start by watching how buyers and sellers react to a price of \$40 in this market for video games. The graph shows that sellers will supply 225 video games to the market at this price. Buyers, however, are willing to buy only 150 games at \$40 each. This leaves a surplus of 75 video games.

A **surplus** is the amount by which the quantity supplied is higher than the quantity demanded. The surplus also appears as the horizontal distance between the supply and demand curves at any point above where the demand and supply curves intersect.

TIME Political Cartoons



Sidney Harris/ScienceCartoonsPlus.com

In this cartoon, Sidney Harris is making a comment on supply and demand.

1. Why is the store shown in the cartoon holding a sale?
2. What are some options that businesses have when supply exceeds demand?
3. Is this situation economically healthy for businesses? For consumers?

Activity: Collaborative Learning

Visual/Spatial Have students work in pairs to create their own political cartoons illustrating the principles of supply and demand. Have one student create the image (they may draw the image or find an appropriate photograph) and the other student write the caption. Student teams should brainstorm ideas together before coming up with

the images or captions. Remind students they may use information from the entire chapter as a basis for the topics of their cartoons. Have students share their cartoons with the class. **Ask:** What principle of supply and demand do each of the cartoons illustrate? **AL**

A surplus signals that the price is too high. In that case, consumers are unwilling to pay the price in large enough numbers to satisfy producers. If the market is competitive, this surplus will not exist for long. Sellers will have to lower their prices if they want to sell their goods.

Shortage What if the price had been \$20? Look at the graph again. At this price, suppliers offer only 105 video games for sale. Consumers, though, are willing to buy 230 games. This difference is a shortage. A **shortage** is the amount by which the quantity demanded is higher than the quantity supplied. The shortage is shown as the horizontal distance between the two curves at any price below the point where demand and supply cross.

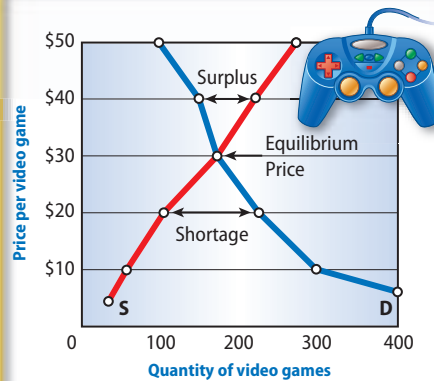
A shortage signals that the price is too low. In this situation, suppliers are unwilling to sell their goods or services in large enough numbers to meet all the demand. If the market is competitive, the shortage will not last. The price will have to rise.

Market Forces

One of the benefits of the market economy is that it eliminates shortages and surpluses when it operates without restriction. Over time, a surplus forces the price down and a shortage forces the price up. This process goes on until supply and demand are balanced. The point where they achieve balance is the **equilibrium price**. At this price, there is neither a surplus nor a shortage. In the figure on this page, the equilibrium price for video games is \$30.

Once the market price reaches equilibrium, it will tend to stay there until either supply or demand changes. Once that happens, the market will have a temporary surplus or shortage. If there is a surplus, the price will be driven down. If there is a temporary shortage, the price will be driven up. The price will move in this way until the market establishes a new equilibrium price.

The Price Adjustment Process



Analyzing Graphs

- Defining** At what price does quantity demanded equal quantity supplied?
- Explaining** If the price of a product is below its equilibrium price, what is the result?

Price Controls

Occasionally the government sets the price of a product because it believes that the forces of supply and demand are unfair. When this happens, the new price may favor either consumers or producers.

A **price ceiling** is a maximum price set by the government that can be charged for goods and services. For example, city officials might set a price ceiling on what landlords may charge for rent. A **price floor** is a government minimum price that can be charged for goods and services. Price floors—more common than price ceilings—prevent prices from dropping too low. The **minimum wage**, the lowest legal wage that can be paid to most workers, is a price floor.

Reading Check Explaining If the price of a product is above its equilibrium price, what is the result?

Reading Strategy

Identifying Ask: What is a market shortage? (A shortage is the amount by which the quantity demanded is higher than the quantity supplied.) **Ask:** What happens when there is a product shortage? (The price of the product rises, giving incentive to producers to increase supply.) **OL**

Critical Thinking

Making Inferences Ask: What can we assume if, over time, a product surplus does not force down prices? (The market is not operating freely but is being manipulated.) **AL**

Skill Practice

Reading Graphs Ask: What is the quantity of video games demanded and supplied when the product reaches its equilibrium price? (200) **OL**

Analyzing Graphs

Answers:

- equilibrium price
- a surplus exists and price will stay down until surplus is diminished

Reading Check Answer: a shortage exists and supply will increase, eventually forcing the price down

Differentiated Instruction

Delivering Biographical and Autobiographical Presentations

- Objective:** To understand biographical and autobiographical forms
- Focus:** Have students read the excerpt.
- Teach:** Review biographical and autobiographical techniques.
- Assess:** Have students compare and contrast biographical and autobiographical forms.
- Close:** Have students rewrite the excerpt from Walton's autobiography as a biography.

Differentiated Instruction Strategies

- BL** Use a Venn diagram to compare and contrast biographies and autobiographies.
- AL** Find a biographical article about Sam Walton on the Internet or in the library. Write a review of what you read.
- ELL** How do writers of biographies find out information about their subjects? Illustrate two ways.

Speaking and Listening Skills Activity 6

Delivering Biographical and Autobiographical Presentations

Learning the Skill

Biographical and autobiographical presentations tell about the life of a person. A biographical presentation tells about a person from the perspective of another person. An autobiographical presentation is given from the perspective of the subject.

Biographical and autobiographical presentations are often used to tell the story of a person. Biographies are often more objective, including both positive and negative aspects of a person's life. Also, biographies are usually more formal and more detailed than autobiographies. Autobiographies are usually more personal and less detailed. They often include more emotional details and are more subjective.

When preparing a biographical or autobiographical presentation, it is important to consider the audience. Biographical presentations are often given to a general audience, so it is important to include enough detail to make the story interesting. Autobiographical presentations are often given to a more specific audience, so it is important to include more personal details.

Consider the impact of the subject and his or her actions. It is important to include enough detail to make the story interesting. Biographical presentations are often given to a general audience, so it is important to include enough detail to make the story interesting. Autobiographical presentations are often given to a more specific audience, so it is important to include more personal details.

Include an introduction and conclusion with your presentation. The introduction should tell the audience why the person is important and deserving of study. The conclusion should summarize the information given in the presentation and remind the audience of the subject's significance.

R Reading Strategy

Monitoring Ask: What three economic questions does price help answer? (what, how, and for whom to produce) **OL**

C Critical Thinking

Making Inferences Ask: In what way do prices help businesses decide how to produce? (In order to make the greatest profit, producers spend the least amount possible making their products. They will select the lowest-priced resources available to make their products. In this way, price helps businesses decide how to produce.) **OL**

Caption Answer:
equilibrium price

Prices as Signals

Main Idea In our economy, prices are signals that help businesses and consumers make decisions.

Economics & You Have you ever refused to buy something you thought was too expensive? Read to find out what message you may have been sending to the maker of the product.

The different parts of the economy need a system of signals so they can work smoothly together. In our economy, prices are signals. They help businesses and consumers make decisions. Prices also help answer the basic economic questions—*what* to produce, *how* to produce, and *for whom* to produce.

What Do Prices Tell Us?

For example, consumers' purchases help producers decide *what* to produce. They focus, or center, on providing the goods and services that consumers are willing to buy at prices that allow the suppliers to earn profits. A company will make video games as long as consumers are willing to buy them at a price that generates profits. If consumers are not willing to pay that price, the company will not be willing to make video games.

Prices also help businesses and consumers decide the question of *how* to produce. Suppose it costs a hair salon \$20 in labor and supplies to provide a haircut. Consumers, though, are willing to pay only \$15 for the haircut. To stay in business, the salon needs to find less costly ways of providing that haircut.

Housing Market Even when the sale of houses slows down, price reductions eventually balance supply and demand. **Identifying What is the term for a price showing there is no surplus or shortage?**



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Differentiated Instruction

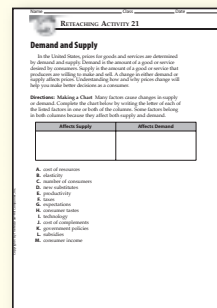
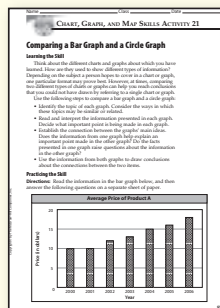
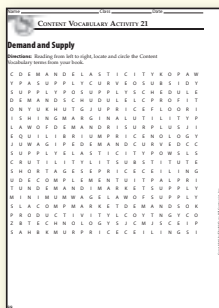
Leveled Activities

BL Content Vocabulary 21, URB p. 88

OL Chart/Graph/Map Activity 21, URB pp. 97–98

AL Biography Activity 21, URB pp. 91–92

ELL Reteaching Activity 21, URB p. 103

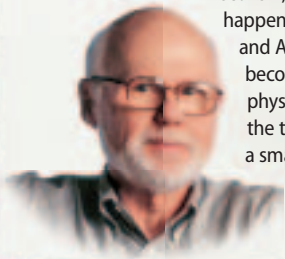


American Biography

Dick Burke (1935 –)

Like most entrepreneurs, **Dick Burke** started out thinking small. He never dreamed of leading a huge corporation. In fact, his first job at a large equipment manufacturer convinced him otherwise. "I entered a training program in Caterpillar's finance department," he explained. "After 18 months I knew that large corporations were not for me and I was not for them. Just before they fired me, I quit."

In the mid-1970s, Burke was working in Milwaukee, Wisconsin, when two things happened: Gas prices shot up, and Americans began to become more interested in physical fitness. Burke put the two together and started a small business in a red barn in the town of Waterloo, Wisconsin.



What was the product that addressed both issues? Dick Burke began making bicycle frames. He called the company Trek.

Today the company is world famous, thanks to providing the bicycles Lance Armstrong used to win seven Tour de France titles. Today, Trek has about 1,700 employees and annual revenues around \$600 million.

Although the company has grown tremendously, some things have not changed. It is still located near that red barn in Waterloo. And the firm's original goals—quality products for our customers at competitive value and deliver them on time—have not changed either.

Making a Difference

CITIZENSHIP

Analyzing What qualities do you think has helped make Trek a success?

R Reading Strategy

Questioning Have students read page 591 in Section 4. Tell students to use the headings on the page to help them formulate questions about the function of prices. **OL**

C Critical Thinking

Determining Cause and Effect **Ask:** Why is the price adjustment process more efficient in more competitive markets? (The more competitive the market, the faster price responds to changes in supply and demand.) **OL**

American Biography

Answer: Answers will vary, but many students will say being a hard worker, having a commitment to quality, persistence, and determination.

Prices also help businesses and consumers decide the question of *for whom* to produce. Some businesses aim their goods or services at those consumers who are willing to pay higher prices. Other businesses aim their goods or services at the larger number of people who want to spend less.

Advantages of Prices

You know that consumers look for the best values for what they spend, while producers seek the best price and profit for what they have to sell. The information that prices provide allows people to work together to get more of the things that people want. Without prices, the economy would not run as smoothly, and decisions about allocating goods and services would have to be made some other way.

Prices Are Neutral First, prices in a competitive market economy are neutral because they favor neither the producer nor the consumer. Prices are the result of competition between buyers and sellers. In this way, prices represent compromises with which both sides can live. The more competitive the market is, the more efficient the price adjustment process.

Prices Are Flexible Second, prices in a market economy are flexible. Unforeseen events such as war and natural disasters affect the supply and demand for items. Buyers and sellers react to the new level of prices and adjust their consumption and production accordingly. Before long, the system functions as smoothly as it had before. The ability of the price system to absorb unexpected "shocks" is one of its strengths.

Chapter 21 591

Demand and Supply in a Market Economy

Step 4: Selling It! Have student groups develop television commercials to sell the products or services they created in Step 3.

Directions Tell student groups to develop television commercials to sell their products

or services. As they brainstorm the best way to persuade consumers to buy their products students should keep in mind to whom they want to sell their products. They should also consider how price, expectations, utility, or satisfaction influences consumers. Remind students to review their research from Step 2 and to consider the sales strate-

gies used for the best-selling products from the past. After each group has settled on a sales strategy, they should collaborate on writing a script for their commercials.

Summarizing Have groups trade and review each other's scripts. Encourage groups to explain their strategies. **OL**

(Project continued on the Visual Summary page)

Hands-On Chapter Project Step 4

W Writing Support

Expository Writing Have students research and write a one-page report comparing and contrasting the economy of Cuba and that of the United States. **AL**

D Differentiated Instruction

Below Grade Level Have students write from memory the prices of everyday products such as bread, soda, or paper. Ask students to bring in an ad from a supermarket to compare its prices with the prices they listed. **BL**

Reading Check **Answer:** High prices indicate a shortage of a particular product that is in demand.

Assess



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Close

Making Connections Have students discuss an experience when price alone influenced a purchase. Have they ever tried to buy a product in short supply? **OL**

Section 4 Review

Prices and Freedom of Choice Third, the price system provides for freedom of choice. Because a market economy typically provides a variety of products at a wide range of prices, consumers have many choices. If the price is too high, a lower-priced product can usually be found. Even if a suitable alternative cannot be found, no one forces the consumer to pay a certain price for a product in a competitive market economy.

Competitive markets tend to find their own prices without outside help or interference. No bureaucrats need to be hired, no committees formed, no laws passed, or other decisions made. Even when prices adjust from one level to another, the change is usually so gradual that people hardly notice.

W In command economies, such as those found in Cuba and North Korea, consumers face limited choices. Government planners determine the total quantity of goods produced—the number of radios,

cars, toasters, and so on. The government then limits the product's variety to keep production costs down. Items such as food, transportation, and housing are offered to citizens at artificially low prices, but seldom are enough produced to satisfy everyone. Many people go without.

Prices Are Familiar Finally, prices are something that we have known about all our lives—from the time we were old enough to ask our parents to buy us something to the age where we were old enough to buy it ourselves. As a result, prices are familiar and easily understood. There is no doubt about a price—if something costs \$4.99, then we know exactly what we have to pay for it. This allows people to make decisions quickly and efficiently.

Reading Check **Explaining** What signal does a high price send to buyers and sellers?

Section 4 Review

Vocabulary

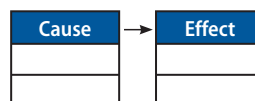
- Write** a paragraph in which you use these key terms: *surplus, shortage, equilibrium price, price ceiling, price floor, minimum wage.*

Main Ideas

- Identifying** What is the point called at which the quantity demanded of a product and the quantity supplied meet?
- Explaining** What causes prices to rise—a shortage or a surplus of a good or service? Explain why.

Critical Thinking

- Demonstrating** If a firm charges a price below the equilibrium price, what will be the result? Explain.
- BIG Ideas** Create a diagram like the one below to show how shortages and surpluses affect prices of goods and services.



- Analyzing Visuals** Study the graph of the price adjustment process on page 589. Does a price of \$40 result in a surplus or a shortage? What is the equilibrium price?

Citizenship Activity

- Research** Compare the prices of the same product at three different stores. What conclusion can you draw about the equilibrium price for the product from the individual prices?
- Persuasive Writing** Do you think the government should ever set price ceilings or price floors? Write a letter to the editor of your local newspaper stating and supporting your view.



Study Central™ To review this section, go to glencoe.com.

Answers

- Paragraphs should use vocabulary words according to their definitions in the section and in the Glossary.
- The point at which the quantity demanded and the quantity supplied meet is known as equilibrium.
- Shortages cause prices to rise because more consumers are vying for fewer products.

- A price below the equilibrium will cause a temporary decrease in the overall price of the product.
- Cause:** Shortages **Effect:** Higher Prices
Cause: Surpluses **Effect:** Lower Prices
- The price of \$40 results in a surplus; \$30 is the equilibrium price.

- Answers will vary. Students should research the prices of the same product at three stores and make a conclusion about the equilibrium price.
- Editorials will vary. Students should state their positions clearly and explain their reasoning.

Identifying Central Issues Have students demonstrate their understanding of the effect of expectation on supply and demand. Ask students to give one example each of how expectation may affect consumer demand for products and a producer's willingness to supply products. **OL**

Making Connections Have students find a news story about the interaction between supply and demand in a market economy. Then ask students to write summaries of the story, clearly detailing the product and the situation affecting its supply, demand, and price. Finally, students should identify the economic principle illustrated in the news story. **OL**

Demand and Supply

Demand is the desire, willingness, and ability to buy a good or service.

Market demand is the total demand of all consumers for a product or service.

Several different factors can cause market demand for a product or service to change.

Demand elasticity is the extent to which a change in price causes a change in the quantity demanded.

Supply is the quantity of a good or service that producers are willing to sell at all possible market prices.

Supply increases or decreases depending on many different factors.

Supply elasticity measures how the quantity supplied of a good or service changes in response to changes in price.

The forces of supply and demand work together in markets to establish prices. In our economy, prices are signals that help businesses and consumers make decisions.



Farmers market in California



Supply of soccer balls for sale



Shoppers at bulk store



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Demand and Supply in a Market Economy

Step 5: Show Time! Have student groups present the television commercials they created in Step 4.

Directions Have each group present their commercial to the class. If there are limited roles, some students in the group may introduce the commercial, others may be in

charge of props or costumes, and others may be in charge of music or sound effects. Remind students performing commercials to speak slowly, loudly, and to enunciate.

Summarizing Have the class assess the effectiveness of the commercials. **Ask:** What did you learn about the Big Idea while working on the various steps in the Hands-On Project? **OL**

Hands-On Chapter Project Step 5: Wrap-Up

Answers and Analyses

Reviewing Vocabulary

1. C Students will have read about demand curves in Section 1. A demand curve is a graphic representation of the demand schedule. Students will then immediately be able to eliminate answers B and D because they refer to economic principles not graphs. Furthermore, they will have read the description of a demand curve as “a graph that shows the amount of a product that would be bought at all possible prices in the market.”

2. D Students will have encountered the economic terms “substitutes,” “surplus,” “elastic,” and “complements” in Section 2 of the chapter. Recalling the definition of complements as products that are used together should help the student answer this question.

3. B At least three of the answers for this question may seem plausible if students do not read carefully. “Resources,” “production,” and “technology” are all *factors* in creating the supply of goods. However, if students remember that technology refers to the methods in which resources are used to produce goods, they should be able to answer the question. The phrase “methods or services” in the question will be helpful in directing students to the correct answer.

4. D The definition of “equilibrium price” can be found in Section 4. The student should recall that at the equilibrium price there is neither a surplus nor a shortage and that prices are stable. In addition, understanding that the word “equilibrium” is synonymous with a “state of balance” will help students answer this question.

Reviewing Main Ideas

5. C Students will have encountered the fundamental economic principles of supply and demand in Section 1 of the chapter. Remembering the common experience, that consumers are more willing to buy products with a lower price—thus creating higher demand for lower priced goods—will help students.

TEST-TAKING TIP

When working numerical problems out on scrap paper, make sure you copy numbers correctly, not transposing or dropping any figures.

Reviewing Vocabulary

Directions: Choose the word(s) that best completes the sentence.

1. A _____ is a graph that shows the amount of a product that would be bought at all prices in the market.
A supply curve C demand curve
B law of demand D market demand
2. Some products, such as DVD players and DVDs, are called _____ because demand for one moves in the opposite direction as the price of the other.
A substitutes C elastic
B surplus D complements
3. The methods or services used to make goods and services are called _____.
A factors C resources
B technology D production
4. At the _____ price there is neither a surplus nor a shortage.
A profitable C exchange
B ceiling D equilibrium

Reviewing Main Ideas

Directions: Choose the best answer for each question.

Section 1 (pp. 568–572)

5. According to the law of demand, quantity demanded and price _____.
A move in the same direction
B depend on marginal utility
C move in opposite directions
D are not related

6. Diminishing marginal utility is the explanation for the consumer’s decision to _____.
A spend less money for sale items
B buy only one dessert with a meal
C purchase more CDs of a favorite singer
D buy expensive gifts for close friends

Section 2 (pp. 573–578)

7. Total demand may change if more consumers enter the market, consumer tastes change, or _____.
A consumer expectations change
B substitutes become popular
C demand is inelastic
D supply remains the same

Section 3 (pp. 580–586)

8. Businesses invest time, money, and other capital resources for the primary motive of _____.
A paying good wages
B supplying better products
C making a profit
D satisfying customers’ needs

Section 4 (pp. 587–592)

9. One of the strengths of a market economy is that _____.
A prices absorb some of the shocks or unexpected changes in the economy
B most consumers can afford plenty of the goods and services they want
C producers almost always make a profit
D demand is never greater than supply

GO ON 

6. B The definition of “diminishing marginal utility” can be found in Section 1. The example of decreasing enjoyment when eating succeeding slices of pizza illustrates the idea. For students who do not remember this example, breaking down the meaning of the words “diminishing” and “utility”—lessening usefulness—should help answer this question.

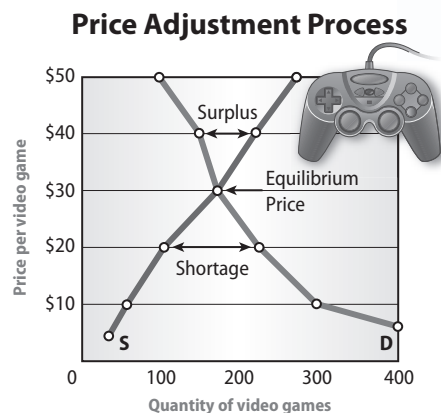
7. A Students who have carefully read Section 2 will have no trouble answering

this question. Furthermore, the word “consumer” in answer A should help point students to the correct answer.

8. C Students will have read that businesses invest time, money, and other capital resources to make money. Though all the answers may at first seem plausible, keeping in mind the limiting phrase “primary motive,” should help students answer this question.

Critical Thinking

Directions: Base your answers to questions 10 and 11 on the graph below and your knowledge of Chapter 21.



10. The price adjustment graph shows that at a price of more than \$30 _____.
- consumer demand would increase
 - the cost of production would have to be more than \$40
 - supply would increase and cause a surplus
 - supply would decrease, causing a shortage
11. The graph illustrates that at the equilibrium price of video games _____.
- producers will supply nearly 200 units
 - consumers will demand more than 200 units
 - demand will fall
 - there may be a shortage of games

Document-Based Questions

Directions: Analyze the following document and answer the short-answer questions that follow.

A price ceiling is a government-set maximum price that can be charged for goods and services. Below, a city sets such a maximum price for rent in the Washington, D.C., area.

No landlord shall charge a monthly rent for any controlled rental unit in an amount more than the fair market rent level established annually by the Department of Housing and Urban Development for the Washington Metropolitan Statistical Area for a four-bedroom unit or 1% of the property's assessed value for property taxes in a given year, whichever is greater. . . . Beginning in January 2007 and every three years thereafter, the City Council may reconsider the criteria for the establishment of rent ceilings based, among other factors, on the triennial reassessments of properties in the City.

—City of College Park (Md.)

12. For what period of time will each rent ceiling be set by the city government? Why will the council review the rent ceiling periodically?
13. Does a ceiling benefit renters or landlords? If the price of a product is set below its equilibrium price, what is the likely result?

Extended-Response Question

14. Do you think that the rent ceiling will provide more low cost housing in the area in the long term? Write a paragraph describing the possible results of rent ceilings that are set below the equilibrium price.

STOP

CivicsONLINE

For additional test practice, use Self-Check Quizzes—Chapter 21 on glencoe.com.

Need Extra Help?

If you missed question...	1	2	3	4	5	6	7	8	9	10	11	12	13	14
Go to page...	569	576	585	589	569	572	574	583	589	589	589	584	584	584

Chapter 21 595

STANDARDIZED TEST PRACTICE

11. A Students should understand how to read the Price Adjustment graph to answer this question. They should know that prices are found on the vertical axis and quantities are found on the horizontal axis. The graph clearly shows the equilibrium price to be \$30 so the correct answer must be A, 200 units.

Document-Based Questions

12. The rent ceiling is set every three years. The council will review its rent ceiling based on periodic property assessments.

13. A rent ceiling benefits renters. A shortage of the product would result if the ceilings are set below the equilibrium price.

Extended Response

14. Answers will vary. Students may note that if the rent is below equilibrium price, fewer houses will be offered for rent and a shortage will result. Those people who have obtained rentals will be less likely to move out, and few people will be able to move into the area.

9. A Students will have read about prices and market forces in Section 4 of Chapter 21. The section will teach students about the flexible nature of prices and enable students to correctly answer this question. In addition, identifying which of the answer choices is a true statement will lead students to the correct answer.

Critical Thinking

10. C Students should pay careful attention to the Price Adjustment graph. The graph shows that at a price of more than \$30, producers increase supply of the product. This illustrates the law of supply and demand that when supply outpaces demand, a surplus is created.

CivicsONLINE

Have students visit the Web site at glencoe.com to review Chapter 21 and take the **Self-Check Quiz**.

Need Extra Help?

Have students refer to the pages listed if they miss any of the questions.

Teach

S Skill Practice

Reading Graphs Ask: From which country does the United States import the second largest percentage of oil? (Saudi Arabia). **BL**

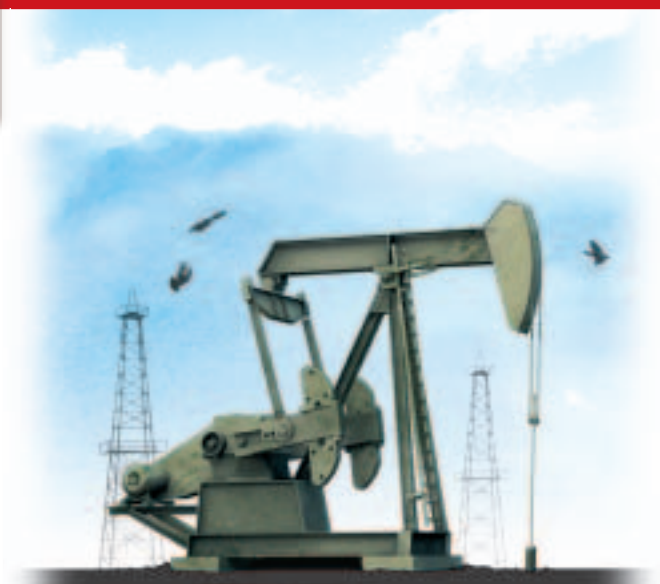
C Critical Thinking

Analyzing Ask: About how much of America's oil is imported? (about 58%) Ask: Does this fact support or negate the arguments of those who want to increase drilling for oil in protected lands of Alaska? (Answers will vary and could take either side of the argument.) **OL**

Additional Support

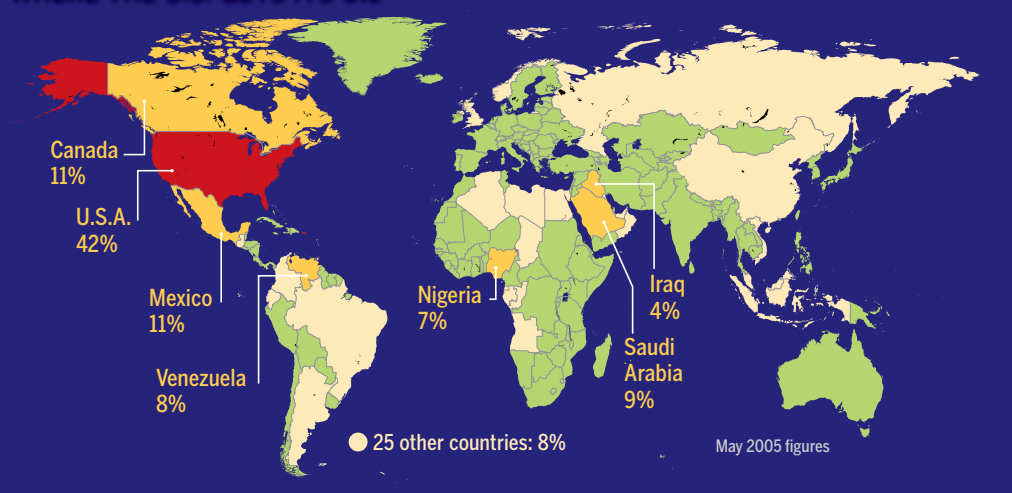
Oil and Gas Consumption in the U.S.

America's addiction to oil is getting ever more costly for car-loving consumers and energy-dependent industries



1 The U.S. is the world's biggest oil consumer—and importer

WHERE THE U.S. GETS ITS OIL



- Americans account for **4.5%** of the world's population but guzzle **25%** of the planet's petroleum output. On a typical day, the U.S. consumes **21 million barrels** of oil—more than any other country.
- About **58%** of America's oil is imported from other countries. As the map above shows, most of America's oil imports come from **outside the Middle East**. Canada and Mexico are major suppliers of U.S. oil.
- The U.S. holds **700 million barrels** of oil in the **Strategic Petroleum Reserve**. That's equivalent to about 70 days' worth of imports. This emergency oil supply is stored at four sites on the Gulf of Mexico.

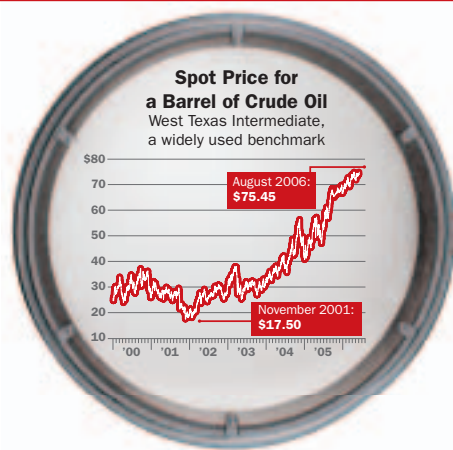
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Activity: U.S./World Connections

Comparing and Contrasting: Tell students that many countries, including the United States, are exploring the use of alternative fuels. Ask students to research the production of, use of, and government policies toward the alternative fuel called ethanol in Brazil and the United States. Students should particularly note similarities and differences

in ethanol production, use, and cost in both countries.

Based on what they learned, have the class make recommendations on United States policy regarding ethanol. **Ask:** Should the government make changes in its current policy? If so, in what way? If not, why not? (Opinions will vary.) **AL**



2 Demand for oil is soaring

The U.S. has long been the dominant customer for the world's oil, buying more than China, Japan, and Germany combined in 2005. By 2025, U.S. oil consumption is projected to increase 32%. At current rates of consumption, the known oil supply will be exhausted by the middle of the 21st century.

C1

C1 Critical Thinking

Distinguishing Fact from Opinion Have students read Section 2 in the *TIME* Report about the soaring demand for oil. **Ask:** What fact does the text tell us about current rates of consumption? (The known oil supply will be exhausted by the middle of the 21st century.) What opinion might this fact elicit? (The U.S. needs to conserve oil and find alternative sources of fuel.) **OL**

C2 Critical Thinking

Making Generalizations **Ask:** What are the effects of rising oil prices throughout the economy? (overall rising production costs) **OL**

3 As oil prices rise, the effects ripple through the economy

Higher oil prices mean higher gasoline prices, since gasoline is produced by refining crude oil. The U.S. consumes nearly 400 million gallons of gasoline every day, most of it going into cars and trucks. The impact of rocketing gas prices stretches well beyond the pump:

C2

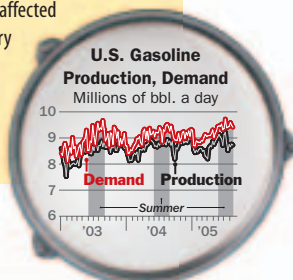
- **Airlines** are among the hardest hit, with each penny increase in the per-gallon price of jet fuel costing the industry \$180 million annually. For the first time in decades, major carriers are spending more for fuel than they are for labor. That means higher fares for passengers.
- **Delivery companies** like FedEx and U.P.S. also suffer; many have added surcharges to help cover rising costs.
- **Farmers** from coast to coast are affected as the cost of operating machinery and irrigation systems rises.
- And **retailers** suffer because it costs more for goods—and for customers—to reach stores.



Sources: Energy Information Administration; Bureau of Labor Statistics;
TIME Graphic by Lon Tweeten, Jackson Dykman, Kristina Dell and Jeremy Caplan.



FEELING THE IMPACT Every dollar jump in the price of oil costs the major U.S. airlines \$365 million more in fuel per year.



Background

More Miles per Gallon? Corporate Average Fuel Economy (CAFE) standards require automakers to build vehicles that meet a set number of miles per gallon of gasoline. The standards were enacted during the energy crisis of the 1970s as an attempt by Congress to increase fuel efficiency for cars and light trucks. Today, despite higher gasoline

prices and popular gas-guzzling vehicles, CAFE requirements have not changed much since they were enacted.

Those in favor of raising CAFE standards argue that increased fuel efficiency would lessen our dependence on foreign oil, reduce air pollution, and fight global warming. They contend that the technology already exists to substantially increase vehicle mileage. United States automakers are

prominent among those against higher CAFE standards. They argue their companies are already in a financial crisis and that producing higher fuel-efficient vehicles would be too costly. With high gasoline prices and a dwindling world fuel supply, CAFE standards are bound to remain a topic of debate.